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ECONOMIC AFFAIRS

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14 April 1983

CHINA REPORT ECONOMIC AFFAIRS

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CONTENTS

PEOPLE'S REPUBLIC OF CHINA

ECONOMIC MANAGEMENT

Experimental Enterprises Achieve Good Economic Results (NANFANG RIBAO, 4 Jan 83)	1
Enhancement of Economic Results Stressed (Guo Huiyuan; NINGXIA RIBAO, 10 Feb 83)	3
Heilongjiang Adopts New Forms of Economic Responsibility (HEILONGJIANG RIBAO, 26 Dec 82)	6
Chemical Industry Vice Minister Addresses Problem of Wrangling (JINGJI RIBAO, 19 Jan 83)	9

FINANCE AND BANKING

Shandong Meeting Urges Banking System Reforms (Shandong Provincial Service, 23 Mar 83)	10
Advantages of Substituting Taxes for Profits Discussed (JINGJI RIBAO, 15 Feb 83)	12
Briefs	
Liaoning Value Added Tax	15
Liaoning Tax System	15
Insurance Business Growth	15
People's Bank Loans	15

MINERAL RESOURCES

Output From Yixingzhai Gold Mine Doubles (Li Yanping; SHANXI RIBAO, 20 Jan 83)	16
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INDUSTRY

Reorganization of Industry in Shanxi Discussed (Zhang Zhong; JINGJI WENTI, 25 Nov 82)	17
Briefs	
Shanxi Coalmines	20
Laser Machine	20
Yeast Nucleic Acid	20
Metal Strength Testing Device	21
Largest Cobalt Magneto Generator	21

DOMESTIC TRADE

Conference on Commercial Work in Hebei Reported (HEBEI RIBAO, 12 Jan 83)	22
Urban-Rural Economic Districts Proposed (Wang Zhuo; NANFANG RIBAO, 24 Jan 83)	24
Sichuan To Boost Competition (Sichuan Provincial Service, 22 Mar 83)	28
Heilongjiang Purchasing Commodities Measures Adopted (Heilongjiang Provincial Service, 21 Mar 83)	29
'RENMIN RIBAO' Reviews Trademark Law Functions (Duan Youlin; RENMIN RIBAO, 18 Mar 83)	31
Sale of Agricultural, Sideline Products in Cities Promoted (NANFANG RIBAO, 27 Jan 83)	35
Individual Economy Upheld in New Constitution (NINGXIA RIBAO, 26 Dec 82)	37
Briefs	
Shaanxi Country Fair Trade	40

TRANSPORTATION

Briefs	
Shanghai Ships for Export	41

FOREIGN TRADE

'BEIJING REVIEW' Discusses Open Door Policy (Zheng Hongqing; BEIJING REVIEW, 14 Mar 83)	42
Bank Loans To Support Enterprises' Technical Reform (Hou Wenzao; JINGJI RIBAO, 5 Jan 83)	48

Guangdong Construction Activities Enter Foreign Markets (Luo Yuchao, Hu Hanwen; NANFANG RIBAO, 14 Jan 83)	49
Anti-Smuggling Campaign Successes Reported (JIEFANG RIBAO, 18 Jan 83)	50
Increased Investments Seen in Share Industrial District (Ou Ping; YANGCHENG WANBAO, 9 Jan 83)	52
Favorable Terms for Hainan's Foreign Investors (Fang Yuansheng; ZHONGGUO XINWEN SHE, 22 Mar 83)	55
Briefs	
Zhejiang British Products Exhibition	57
Shanghai Crystal Exports	57
Italian Industrial Design Exhibition	57

HONG KONG MEDIA ON CHINA

Development of Electronics Industry (Liu Minerh; WEN WEI PO, 24 Mar 83)	58
Chen Muhua Greets 'ZHONGGUO JIXIE' Anniversary (Liu Min-ehr; WEN WEI PO, 19 Mar 83)	61

ECONOMIC MANAGEMENT

EXPERIMENTAL ENTERPRISES ACHIEVE GOOD ECONOMIC RESULTS

Guangzhou NANFANG RIBAO in Chinese 4 Jan 83 p 1

[Article: "Outstanding Economic Results Achieved in Eight Experiment Enterprises Throughout the Province"]

[Text] Economic results have been outstanding in the eight experimental industrial enterprises in our province put into operation since July 1980 "with taxes representing profits, and individual responsibility for profits and losses". The average gross value of industrial production for the 2 years since the reform has increased an average of 47.5 percent over that of the 2 years previous to the experiment, the extent of the increase being 220 percent higher than in other businesses; industrial and commercial taxes paid to the state have increased 47.67 percent, the extent of the increase being 155 percent higher than in other businesses; realized profits have increased 175.7 percent, the extent of the increase being 257 percent higher than in other businesses; such things as taxes turned over to the higher authorities have increased nearly 70 percent, but in other businesses have decreased 1.2 percent.

These eight experimental businesses in our province carried out "with taxes representing profits and individual responsibility for profits and losses" are: The Guangzhou Sewing Machine Industrial Corporation, The Guangzhou Silk and Hemp Textile Mill, The Guangzhou Bicycle Industrial Corporation, The Shaoguan Gear Works, The Jiangmen Southern Food Products Factory, The Jiangmen Plastics Factory, The Foshan No 1 Radio Factory, and The Foshan No 2 Cotton Weaving Mill. They are all distinguished by differing circumstances, each has a different tax rate, they don't attempt one solution for all problems, and they have a definite proportion of production development funds and corresponding production management and administrative authority. The wages of labor in the businesses are all linked with realized profits, causing the vital interests of the workers to be closely linked to whether or not the businesses are well managed. This has aroused the enthusiasm of business and of labor, and in the last 2 years in addition to the 124.8 million yuan they have paid in taxes to the state, they have also reduced the 9.21 million yuan national investment in them. In addition they have also reserved 84.43 million yuan for use

in developing production, meeting payrolls, initiating welfare work, and awarding labor. In the past 2 years these eight businesses have been approved based on having increased production and income, have also successfully carried out two tests of workers' promotions, and each time 30 percent of the staff members and workers have increased their wages, reflecting the policy of "particular things improve with the improvement of the general situation".

12267

CSO: 4006/202

ECONOMIC MANAGEMENT

ENHANCEMENT OF ECONOMIC RESULTS STRESSED

Yinchuan NINGXIA RIBAO in Chinese 10 Feb 83 p 3

[Article by Guo Huiyuan [6753 0565 3293]: "Enhancement of Economic Results Is the Core of All Economic Work"]

[Text] Enhancement of economic results is the central issue in our economic construction. It is not only the key to decide whether future economic development will go on the track of favorable cycle to even greater progress, but also it is an important path to open up financial resources, increase income, and solve the problem of lack of capital in state construction. We want to achieve our magnificent goal of quadrupling the gross annual value of industrial and agricultural output, but one of the important prerequisites is the conscientious enhancement of economic results. At present what economic results are there in production, construction and circulation?

In 1980, per worker technical equipment value in people-owned industries of our region was 15,000 yuan, 30 percent higher than the national average. However, labor productivity was only 3,300 yuan, 40 percent lower than the national average. Output value achieved by every hundred yuan fixed assets (cost price) was only 46.5 yuan, an equivalent to 46 percent of the nation's average. Every hundred yuan capital brought only 9.5 yuan of profit tax, 62 percent less than that in the nation; a hundred yuan output value taking up the working capital 52 yuan, 72 percent more than national average. Out of every hundred yuan gross value of agricultural output the material consumed made up 40.6 yuan, one-third higher than the national average.

Economic results in circulation area are also far below the national standard. The cost of every hundred yuan of commodity sale in key department stores of our region is 2.99 yuan, one-fourth more than that in the nation, but the profit from the commodity sale is 6.18 yuan, one-sixth less than that in the nation. Furthermore, there are other problems, for example, building cycles are too long in capital construction, which increases construction cost, occupying large amount of construction funds, thus holding up the projects from being put into operation on time.

The above-mentioned situation shows that great efforts must be made to enhance economic results in our region. If profit taxes brought by every hundred yuan of capital could reach half of the national standard, that is, 12.4 yuan then the whole region could collect in 1 year 68 million yuan. If we could

shorten our capital construction cycle, we could achieve even greater results. So whatever we do, whether to plan production, or carry on capital construction, or organize commodity circulation, we must give priority to the enhancement of economic results.

In order to enhance results, we must, first, correct our understanding and handle correctly the relationship between speed and result. In production, we must avoid the tendency of emphasizing speed and neglecting results. Measures for achieving economic results are: 1) drain on labor and its degree; 2) to what degree manufactured products are in line with the needs of the society. Only under the conditions of cost reduction, in accordance with the needs, and by increasing the quantity of products can we achieve real speed. If goods are not suitable, do not sell well, and are stored in warehouses for a long time, then we are not only unable to achieve the value of products, but also waste manpower and material resources. So we can see, without economic results there will be no criteria to determine the rationality and effectiveness of speed. Without economic results, we cannot pick up speed to create solid bases.

Secondly, the measures must be effective. There are many ways to enhance economic results. For the time being and henceforth, we must continue rational distribution of investments, adjust the distribution structure of national income (accumulation and spending ratio), handle effectively the relationship between the people's well-being and construction, and improve product structure and industrial structures, thus adjusting economic structure to condition economic results. In addition, we must perform well the following tasks:

1) Consolidate and reorganize the enterprises. We must consolidate working organizations, strengthen labor disciplines, and promote financial management system. We must pay great attention to building up a leading body, let "sensible persons" be the masters. We should also find and use qualified personnel, let them participate in decisionmaking in enterprises' management.

2) Carry out technical reform, raise technical standard. The majority of our region's current enterprises was built up simply and thriftily with local methods with whatever was available. Among the newly built or relocated enterprises, except for a few fairly advanced ones, the majority is at the 1950's level. By and large, the majority of enterprises is backward in technology, high in cost and low in efficiency. There is great need for reform. In reforms the emphasis should be placed on reduction of resource consumption, improvement of product quality and comprehensive utilization of resources. Especially we must stress projects with little spending, great results and quick effects. At the same time, we must pay close attention to staff training, raise as quickly as possible the staff's and workers' technical standard.

3) Effectively implement the economic responsibility system, raise the enterprises' management and control standard. We must, in accordance with needs and possibilities, make it a rule that every worker take responsibility for and ensure economic results, so that close contact between the enterprises' economic results and the workers' personal interests can be established, thus responsibilities, rights and interests will act in unison.

4) Do a good job in planning work, strengthen overall balance. In the socialist system, all the main activities of the country's economy are to be brought in line, directly or indirectly, with the state plan. To change the situation of "taking one step and looking around before taking another", the planning departments need to improve mid-term planning, and concentrate their effort on researching guiding principles, policies, forecasts and comprehensive balances. Waste caused by bad planning is the greatest waste. Therefore, departments with overall functions (including planning departments) must take a broad and long-term view, take the whole situation into account and plan accordingly. They must keep to the direction, adhere to principles, carry out conscientiously overall balance, thus directing national economy to healthy development and helping the macroeconomy achieve good results.

12200

CSO: 4006/319

ECONOMIC MANAGEMENT

HEILONGJIANG ADOPTS NEW FORMS OF ECONOMIC RESPONSIBILITY

Harbin HEILONGJIANG RIBAO in Chinese 26 Dec 82 p 1

[Article by correspondents of Heilongjiang Provincial Radio Station and HEILONGJIANG RIBAO: "Provincial Party Committee Stipulated 10 Methods for the Adoption of Economic Responsibility System"]

[Text] At a meeting of the secretaries of prefectural, municipal and county party committees held on 24 December, the provincial party committee issued this call: In the next year, all industrial enterprises and all communications-transportation, capital construction, commercial, food and service trades will practice the system of economic responsibility in various forms in the light of their own realities; and will break down the old conventions of "eating from the same pot" and "iron rice-bowl" in order that there can truly be more pay for more work, less pay for less work and no pay for no work.

Generally, there are 10 different methods to practice the responsibility system.

First, there should be a system of financial responsibility at every level. This system must be carried out level by level from the province down to the municipalities and counties, and then from the municipalities and counties down to the industrial bureaus and the commissions and staff offices in charge, and finally down to the enterprises as soon as possible.

Second, the system of responsibility for profit and loss can be used for those units whose volume of profit or loss is large. Those enterprises with normal production, supply and marketing should learn from the Shoudu Iron and Steel Company and adopt the method of responsibility for progressive increase of profit to be delivered so that in addition to the profit for the enterprises, there will be revenues assured for the state under all circumstances.

Third, the system of responsibility for keeping down losses and sharing the savings can be adopted by many enterprises operating at a loss. If the losses are caused by poor management, a time limit should be set to stop these losses. Failure to stop any loss which should have been stopped will call for replacement of the leaders. If there is no hope for any enterprises to stop the losses, these enterprises should be resolutely closed, suspended, merged or retooled.

Fourth, small state-run enterprises can gradually adopt the management methods used by collectively-owned enterprises. As an alternative, the operation of these state-run enterprises can be contracted to either the collectives or the individuals. It can also be transferred to the collectives or individuals in the form of a lease, in which case, "the method of the state collecting taxes and the enterprises paying for the use of circulating funds and assuming responsibility for their own profits and losses" will be used.

Fifth, for small state-run restaurants, photostudios, barber shops, laundry and dyeing shops, bathhouses or repair enterprises with less than 20 or 30 persons, the system of "state ownership, collective management, state collecting tax, enterprise assuming responsibility for profits and losses, and democratic management" can be used in principle. Some of them can also adopt the system of contracting, whereby the enterprise operation is contracted to groups of workers and staff members or to individuals.

Sixth, the collectively owned enterprises under the second light industry bureau should gradually adopt the system under which there should be truly independent accounting, responsibility for their own profits and losses, distribution according to work done, and democratic management, so that the amount of income for the workers and staff members will be directly linked with the success or failure of the business. The workers and staff members can become shareholders, exercise their democratic election, or recall the leaders. The experiences of Xingguan Arts and Crafts Plant in Harbin should be popularized. We must resolutely change the management system of "large collective and small state-owned units." In some cases, the accounting units can be smaller, and under the contract system, these accounting units will assume responsibility for their own profits and losses.

Seventh, the communications-transportation enterprises and the building units of capital construction should also actively practice the system of economic responsibility or the system of contracted responsibility for business operation in the light of their own realities.

Eighth, the restructuring of rural supply and marketing cooperatives should be speeded up. The experiences of contracted responsibility for business operation adopted by Limin Supply and Marketing Cooperative in Binxian County should be actively popularized.

Ninth, the state-run agricultural or animal husbandry farms should continue to transform the system of fixed wages into one of floating wages, or the system of output-related system of contracted responsibility. Collective economy and household sideline occupation should also be suitably developed.

Tenth, all enterprises should set up and perfect the internal system of economic responsibility. They should follow the examples of the three paper mills in Mudanjiang, Jiamusi and Qiqihar in breaking down the quotas to be fulfilled by the workshops, shifts, groups and individuals. The tendency toward egalitarianism in the distribution of bonuses must be resolutely corrected.

The provincial party committee called on all localities to study these methods carefully, and the provincial economic commission, the finance and foreign trade staff office and the other bureaus and departments concerned will work out the rules and regulations of implementation. However, instead of waiting for anything, all prefectures, municipalities and counties were urged to act as soon as they are sure that their action is correct. They should strive to have these methods adopted by the enterprises before the spring festival.

These methods and requirements were announced by Comrade Yang Yichen [2799 2496 6591] in his speech entitled "There Should Be New Progress in the Coming Year."

He said: In the past several years, agriculture has taken the lead in adopting various forms of production responsibility system and the present excellent situation in the countryside is unprecedented. As we can see now, the output-related system of contracted responsibility should be developed not only in agriculture, but also in industry, commerce, the service trade and the fields of science and technology, or should spread from the countryside to the cities. We must have a keen sense of observation in order to understand the new situation, to catch up with it in action, and to fully assess the great significance in the adoption of the various forms of economic responsibility system, which, in fact, should not be less important than the transformation of private industry and commerce. It is true that there is a vast difference between industry, communications, and finance and trade on the one hand and agriculture on the other. However, adoption of the system of economic responsibility, including the system of responsibility for profits and losses among some state-run enterprises is equally advantageous to the implementation of the Marxist principle of material interests, the enhancement of the laborers' sense of being masters of the country, and the development of production. The experiences of the countryside and of the Shoudu Iron and Steel Company and other industrial enterprises have proved that the orientation of the system of economic responsibility is correct and that its effects are apparent.

The meeting lasted 2 days and ended on 25 December. It was attended by the responsible persons of various departments directly under the province.

9411

CSO: 4006/232

ECONOMIC MANAGEMENT

CHEMICAL INDUSTRY VICE MINISTER ADDRESSES PROBLEM OF WRANGLING

Beijing JINGJI RIBAO in Chinese 19 Jan 83 p 1

[Letter from Vice Minister of Chemical Industry Jia Qingli [6328 1987 4409] to the editorial department of JINGJI RIBAO: "A Letter from Vice Minister of Chemical Industry Jia Qingli to this Newspaper--He Joins in the Discussion by Suggesting an Example of Wrangling"]

[Text] I fully support the repeated criticisms made by leading comrades of the Central Committee concerning the problem of losses caused by wrangling. Wrangling is a problem of unhealthy party style and is a manifestation of failure to take responsibility for the four modernizations. Unless we resolve the problem of wrangling, we will not be able to improve work efficiency and accelerate the four modernizations. Wrangling has many causes: organizational problems, pricing policy problems, questions of "authority," and fear of taking responsibility—even more important are ideological problems.

Leading comrades of the central committee recently initiated discussions of the problem of wrangling. This is a way to teach cadres, especially leading cadres, to cultivate a good party work style. I think that the situation being reported concerning tires for the Dongfeng 140 motor vehicle is an example of wrangling; it should not be allowed to continue. However, we have no way to resolve the problem and hope that JINGJI RIBAO can help bring about a solution. This would be beneficial to the state and the people. Please offer your criticism of any errors.

12187

CSO: 4006/272

FINANCE AND BANKING

SHANDONG MEETING URGES BANKING SYSTEM REFORMS

SK240938 Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Mar 83

[Text] The provincial meeting of directors of agricultural banks, which concluded on 22 March, suggested mind emancipation and bold reforms to enable rural financial work to better satisfy the new situation in production and circulation and to contribute to doubling agricultural production.

The meeting noted: Reforms in the agricultural management system have brought about great changes in the forms of production, distribution, exchange and the collection of fees. Rural banking departments, as departments in charge of the management and distribution of agriculture-oriented funds, should carry out corresponding reforms.

The meeting urged banking departments at all levels to gear their guidelines to the new situation, that is, changing their guidelines from supporting collectives, such as communes and brigades, to support mainly double-contract households, specialized households and key households; from supporting agricultural production to supporting the comprehensive development of agriculture, forestry, animal husbandry, sideline production, fisheries, communications, transportation, commerce and service trades; and from supporting production units as a means to support production to supporting the entire coordinated units of production, distribution, circulation and consumption as a means to develop production.

The meeting decided that rural banking departments should effect reforms in four aspects this year:

1. Reform the system of credit cooperatives. We should build credit branch cooperatives in towns and large villages under the commune level where economic transactions are fairly concentrated and build credit agencies in production brigades. Credit cooperatives should establish a democratic management system, recruit commune members to become shareholders and resume the dividend system.
2. Try out the system of extending 5-10 year development loans to support development of barren hills, wastelands, grasslands, beaches and other natural resources, to open up new production spheres and to develop new production items.

3. Further relax the limits of rural commercial credit and open up more channels for circulation to invigorate the rural economy. Joint shops run by state wholesale departments and grassroots supply and marketing cooperatives are given the rights to open accounts, apply for loans and settle accounts. Loans should be granted to rural collective or individual commercial shops or service centers which do not have enough funds.

4. Rural specialized and key households are allowed to open and settle individual accounts at banks.

CSO: 4006/396

ADVANTAGES OF SUBSTITUTING TAXES FOR PROFITS DISCUSSED

Beijing JINGJI RIBAO in Chinese 15 Feb 83 p 1

[Article by staff commentator: "Advantages of the Substitution of Taxes for Profits"]

[Text] In the unified revenue and expenditure system, enterprises have an administrative relation with the state. In recent years, this relation has undergone changes due to implementation of such methods as retaining enterprise funds and profits, but it has not been settled entirely well. With the substitution of taxes for profits, an enterprise, after paying taxes to the state, carries on independent business accounting and assumes sole responsibility for its own profits or losses. This way, the enterprise becomes a relatively independent economic entity. Along with this, the state in its control over the enterprises must appropriately carry out reforms, and together with application of administrative measures, it needs to use economic means to control enterprises. The substitution of taxes for profits delivered to the state not only improves the relationship between the state and the enterprise, but also helps give full play to the role of economic leverage. The reform will definitely push forward the development of the reform of the whole economic system.

Judging from the situation of those pilot project enterprises where the substitution of taxes for profits has been implemented, we can see that the reform has brought profound changes in the state-enterprise relationship, and has also brought the following distinct advantages:

1) The enterprise's responsibilities towards the state and its own economic interests are defined in legal form. Taxes are revenues mandated and collected regularly by the state within its administrative power. The substitution of taxes for profits can stabilize and guarantee the state income. This is deeply experienced by the comrades of pilot project enterprises. They said, "In the past an enterprise's income was first used to guarantee all the expenditures, only then the profits were delivered. But it is different now. Now the enterprise first submits its income taxes, even pays a penalty for late payment." At the same time, the enterprise's own interests are also protected by law. Profits left over after paying taxes to the state can be controlled by the enterprise itself. The comrades of pilot project enterprises said, "With the implementation of the substitution of

taxes for profits we can plan with initiative how to develop production and improve our well-being, thus change the past passive situation where we waited for, relied on and made demands to the state."

2) Independent business accounting is carried on, sole responsibility for profits or losses is assumed, thus the enterprise gets pressure from outside and motive force from inside. For example, when Shanghai Pengpu Machinery Plant and Beijing Optical Instruments Plant implemented the substitution of taxes for profits, economic adjustment was just being carried out. Their products thus became goods in excessive supply. The production assignments of the Pengpu Machinery Plant from the state gradually decreased: they were reduced to 4.2 percent in 1982. Beijing Optical Instruments Factory was almost on the verge of suffering losses. What were they to do? The tremendous pressure forced them to turn to the market, to the consumers, and to develop new products and apply new technology. Within 2 years the Optical Instruments Plant renewed and replaced 21 products. The Pengpu Machinery Plant trial-manufactured light industrial machines to serve light industries. This way the pressure has become a motive force. The Pengpu Machinery Plant's output value and profits have been increasing year by year. The Optical Instruments Plant's profits have reached the highest level in its history. They have paid their share of taxes to the state and have not suffered any decrease in profits. Under difficult circumstances, the enterprises have not asked the state for subsidies.

3) Correctly handle benefit sharing of the state, the enterprise and the worker to ensure more state income. According to the statistics of 456 pilot enterprises of 18 provinces, cities and autonomous regions, in 1981 the total profits sharing ratio in these enterprises was 76.82 percent for state revenue in taxes, and 23.18 percent for the enterprises. As for the increased portion of the profits of this year, the distribution ratio was 60.13 percent as state income, 39.87 percent as remaining profits for the enterprises. This shows that the substitution of taxes for profits has ensured the state to get more revenue, and also the state is getting more from the increased portion of profits. Some enterprises with profit-contract system are unable to achieve this. This reform has also prompted the enterprises to increase profits by tapping potentials and developing production. If the pilot project enterprises could retain 40 percent of the increased portion of profits, 17 percent more could be obtained than the 23 percent of the total profits. With this the workers' income can also be increased appropriately. Thus, implementation of the substitution of taxes for profits not only can change the situation of "everyone eating out of the same pot," but also can solve fairly well the benefit sharing of the state, the enterprise and the individual.

The experience of pilot project enterprises has proved that the substitution of taxes for profits is a well developed experience, and the pace of the reform can be accelerated. But in terms of concrete methods we should not treat it in a sweeping manner without considering the differences. Some enterprises can take one step, carrying out independent business accounting and assuming sole responsibility for profits and losses, after paying income tax and adjustment tax. Other enterprises can apply all kinds of methods, allocating the remaining profits, after paying taxes, between the state and

the enterprise is gradual transition with the coexistence of taxes and profits. Generally, small enterprises can provide taxes to the state, pay into the funds, take independent accounting and assume sole responsibility for their own profits and losses.

Along with the substitution of taxes for profits, we must grasp firmly the research and implementation of other tax reforms, to further bring into full play the economic leverage role of taxes.

12200

CS0: 4006/319

BRIEFS

LIAONING VALUE ADDED TAX--Tax departments throughout the province will levy value added taxes instead of industrial and commercial taxes on machinery, including farm machinery, enterprises and on bicycles, sewing machines and electric fans. The provincial tax bureau selected 306 enterprises in Shenyang, Dandong and other cities and prefectures to try out the value added tax system last year. Practice showed that the value added tax system is a great breakthrough in the reform of tax systems. It helps eliminate the disadvantages of long-existing tax duplication resulting from industrial and commercial taxation and of the imbalance of tax burden of enterprises. It is conducive to specializing enterprise production, improving product quality and increasing economic returns. [Text] [SK231318 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 22 Mar 83]

LIAONING TAX SYSTEM--On 28 February at the provincial conference on the work of enterprise readjustment, Shen Yue, secretary of the provincial CPC Committee, made an announcement on behalf of the provincial CPC Committee and the provincial People's Government: The Shenyang No 1 machine tool plant, the Shenyang brewery, the Dalian dye plant, the Jinzhou Petroleum Industrial General Company, the Anshan strip steel plant, the Dandong City No 1 Transport Company and 24 other big and medium-sized enterprises are designated as the units that will substitute taxes for delivery of profits on a trial basis. This system should be implemented at these units beginning on the day of announcement. [Text] [SK211131 Shenyang LIAONING RIBAO in Chinese 2 Mar 83 p 1]

INSURANCE BUSINESS GROWTH--Beijing, 9 Mar (XINHUA)--In 1982, China's insurance business, mainly on property of various enterprises, showed a steady growth. Total premium receipts for that year amounted to 746 million yuan, up 40 percent from 1981. According to a national insurance work meeting being held in Beijing, the work will be further developed this year by enlarging its scope to include insurance on automobiles, cargoes, ships, family property and other kinds of insurance. At the same time, insurance terms, liabilities and premium rates will be adjusted to suit the needs of economic reform. [OW231023 Beijing XINHUA Domestic Service in Chinese 1632 GMT 9 Mar 83 OW]

PEOPLE'S BANK LOANS--Beijing, 25 Feb (XINHUA)--The People's Bank of China has issued 170 million yuan in loans over the past 3 years to individual industrial and commercial undertakings since it restarted the service in 1980, bank officials announced. The loans helped 286,000 households open businesses. Owing to their flexible management, there has been a fast capital turn-over rate and profit accumulation. Most of the individual businesses were able to repay both the principal and interest within 6 months or a year. [Text] [Beijing XINHUA in English 1206 GMT 25 Feb 83 OW]

MINERAL RESOURCES

OUTPUT FROM YIXINGZHAI GOLD MINE DOUBLES

Taiyuan SHANXI RIBAO in Chinese 20 Jan 83 p 2

[Article by Li Yanping [2621 7159 162]]: "Output of Yixingzhai Gold Mine Doubles in One Year"

[Text] The Yixingzhai [5030 5281 1396] Commune Gold Mine in Fanshi County produced 384 liang of gold in 1982. The output value of 215,465 yuan surpassed the year's production target by 50 percent, while the total output of gold was more than double that of 1981.

The principal reason for the increase in gold output at this mine was the implementation of the economic responsibility system. Since 1981 the three work groups of the mine have integrated their work from the mines to the shops. They have made the work group the economic accounting unit. The staff and workers' enthusiasm for production was mobilized by abolishing the method of dividing up the bonuses for production in excess of quota equally among the members of each group, which was in effect in the previous year. Instead, bonuses are distributed in proportion to gold production. They also replaced their 5 ton ball mill with a 10 ton ball mill, enabling them to grind almost twice as much ore as in 1981. Tables have been replaced with amalgamation plates, increasing the gold recovery rate from 55 percent to 74 percent.

12187

CSO: 4006/272

INDUSTRY

REORGANIZATION OF INDUSTRY IN SHANXI DISCUSSED

Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 11, 25 Nov 82 pp 15-16

[Article by Zhang Zhong [728 1813]: "On the Reorganization of Industry in Shanxi Province"]

[Text] The party Central Committee and the State Council have decided to carry out a further readjustment in economics during the period of the sixth five-year plan. Which road the industry of our province should take and how it should proceed during the period of readjustment are not only urgent matters, but also a long-range problem for the people of our province.

Our province is one in which there is too much heavy industry, too little light industry, and in which in agriculture there has been drought in 9 out of 10 years. Within industry, again heavy industry is led by the energy (coal) and raw materials industries, and the processing industry lags behind; light industry is even more at a disadvantage, and is inherently deficient. In agriculture, the great five basins: Datong, Xinxian, Taiyuan, Linfen and Yuncheng, are the backbone; of the remaining areas, the great majority are hills and mountains; in 9 out of 10 years there has been no bumper harvest, and for a long period of time, agricultural production has wavered and has not advanced.

In view of the above-mentioned conditions, how should the industry of our province be developed? We consider:

I. To Organize Specialized and Socialized Mass Production

To apply economic measures to organize the machinery trade, and based on the facilities needed by coal and other industries, organize and overcome the difficulties one by one; and then according to products, to form an integrated production lines, such as belt conveyers, scrapers, etc. Within the integration, there is no limit of ownership, and no difference among traders; independent economic accounting is carried out, strict quality standards are formulated, enterprise management is strengthened, efforts are made to reduce cost, and lower the selling price. Any product which does not meet the state standard will not be allowed to leave the factory. Products of good quality and low price are provided to coal mines and other departments.

Those light industrial products, which are necessities for people's livelihood, should be even better in quality and lower in price. We should actively encourage the handicraft industry, to produce small general merchandise in order to meet the needs of the people's livelihood. At the same time, we should vigorously develop famous brand products, and open up and control the market. It should be centered on several high grade goods (television sets, washing machines, bicycles, sewing machines, etc.), organized into several production lines and should bring forth fast-selling products. Encouraging such development can be carried out by means of levying less taxes and by low interest loans.

II. To Organize Technical Cooperation and to Raise the Level of Management

At present, in our province both the levels of industrial technology and management are comparatively backward. This is the greatest obstacle for the development of industry. In order to change as soon as possible this image of the backward levels of industrial technology and management in our province, the Provincial Economic Committee should initiate and develop technical cooperation with Shanghai, Jiangsu, and other provinces and cities; let the other sides provide the advanced technology and methods of scientific management for us, and we will compensate them with coal. For instance, the television (manufacturer) of Shanxi Radio Factory can cooperate with (the makers of) Shanghai's "Flying and Leaping" and "Gold Star" brands; the other side would provide a certain number of cadres skilled in technology and management. Within a short time, the levels of Shanxi workers' techniques and the management levels of cadres, even the quality of products, will reach the levels of Shanghai.

After the quality of the product has been raised, television production should be quickly organized and integrated. Within the framework of the whole city, province, and nation, cooperative units should be organized and the cooperative relationships set. Not only should this occur in light industry, but also heavy industry, and in the production of large mechanized equipment. Such specialization of production would change completely the present backward form of production in which enterprises are "large and complete" and "small and complete"; so that the enterprise can concentrate its efforts to raise quality and output, thus increasing the economic results.

III. Fully Utilize Cooperative Coal to Promote Industrial Development

At present, the state takes the actual situation of Shanxi into consideration and permits it to take out a certain amount of coal to cooperate with brother provinces and cities. Speaking from the viewpoint of the people of the whole province, this undoubtedly is a good thing. However, due to poor management, the failure to fully develop this superiority, the scattering of targets of cooperative coal throughout various departments, and also because of each one's need, and the duplication of cooperation, the actual results are poor. From now on, the whole province should unify planning; each department, based on the targets, should suggest the things that it wants for cooperation (including articles of daily use), and these suggestions should be unified and balanced by the Provincial Economic Committee; if anything can not be solved

within the province, then the province should cooperate with other provinces. Of the means of livelihood, first the problem of food and clothing for the people should be solved. As far as the means of production are concerned, there should be more raw materials for light and textile industries. Not only can this solve the problem of insufficiency of raw materials, but also it can also increase the variety of colours and designs, and raise the economic results.

IV. Strive to Develop Local Industry

During the last three decades, attention has only been paid to heavy industry, and light industry has been neglected, especially the local small handicraft industry; a situation was created in which demand exceeded supply for small commodities which were necessities of life. This caused great difficulty for the life of the people.

How to develop local industry? First, it depends on policy; secondly, it depends on advanced technology and scientific methods of management.

First of all, in adopting policies to encourage local industry, we should especially encourage vigorous development of those trades which are closely related to the livelihood of the people. The method is: for those trades which fill in the gaps, taxes will not be levied for three years, and low interest loans will be offered by the banks; and for those trades which have upgraded and/or replaced their products, interest-free loans will be offered. At the same time, priority will be given to guaranteeing the supply of raw materials, fuel and power will be guaranteed. For those enterprises whose products do not meet the standards, which consume much energy, which have serious confusion in their enterprise management, in which quality has not been improved over a long period of time, the methods of levying high taxes, offering high interest loans, or stopping all loans should be adopted in order to limit or force them to change production.

In short, during the period of readjustment, the industry of our province should develop its advantages and discard its shortcomings, give full play to its superiority, strive to change the present backward conditions in technical and management levels, achieve more benefits, and make a contribution toward the establishment of the four modernizations for our country as well as for the people of Shanxi.

(The working unit of the writer of this article is: Shanxi Province Coal Management Bureau)

12266

CSO: 4006/293

INDUSTRY

BRIEFS

SHANXI COALMINES--State coalmines in Shanxi Province are stepping up the pace of technological transformation. There are 44 key and ordinary technical transformation projects already included in this year's state plans. When completed, they can increase the province's annual coal production capacity by 30,670,000 tons. Comprehensive plans for this work were first mapped out by the provincial coal bureau. The plans embrace the following aspects: 1) transform the extraction arrangements and methods and achieve rational concentration of production; 2) develop mechanization in extraction; the degree of extraction mechanization in the province's coalmines should reach 72.6 percent by 1985 and 90 percent by the end of the century; 3) make active use of advanced equipment for extraction from thin seams; 4) develop mechanization in tunnelling and underground transport; 5) strive to modernize safety equipment, make safety controls scientific, and make safety education a regular thing; 6) develop coal dressing and processing and improve economic results; 7) introduce new pit-props and economize in timber; 8) renovate old equipment and introduce new; 9) improve technical equipment; 10) modernize production control as quickly as possible. The provincial coal bureau recently held a conference to make arrangements for this work. It was decided that five key mines be [word indistinct] as the starting points. [HK270601 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 24 Feb 83]

LASER MACHINE--Shenyang, 12 Mar (XINHUA)--A 2,000-watt high power laser machine [da gong lu ji guang 18 1129 0501 3764 3423 0342 0892] was recently developed by the Shenyang Research and Design Institute of Mechano-Electrical Industry. Urgently needed by China's machinery industry, the new power laser machine can cut hard alloy steel plates over 10 millimeters thick or weld hard metals without solder. [OW290057 Beijing XINHUA Domestic Service in Chinese 0031 GMT 12 Mar 83 OW]

YEAST NUCLEIC ACID--Shanghai, 18 Mar (XINHUA)--A high-yield yeast for the production of feed protein and nucleic acid was developed for the first time in China by the Shanghai Organic Chemistry Institute of the Chinese Academy of Sciences. [Beijing XINHUA Domestic Service in Chinese 1543 GMT 18 Mar 83 OW]

METAL STRENGTH TESTING DEVICE--Yinchuan, 24 Mar (XINHUA)--A high-temperature "creep rupture testing device," operated for more than 10,000 hours over a 12-year period, was found to meet advanced international standard. The machine, which is used to judge the properties of metals, was produced by the Wuzhong testing materials plant in Ningxia Hui Autonomous Region. Beginning on 8 November 1970, the device was used to determine high-temperature properties of metals by helping select heat-resistant components and detect the life-span of parts for the aircraft industry and space science. The reheating furnace--a key part of the machine--can operate in temperatures about 900 degrees centigrade. According to a spokesman for the plant, the normal functioning of the furnace over the past 12 years has opened broad vistas for developing advanced science and technology. [Text] [Beijing XINHUA in English 1112 GMT 24 Mar 83 OW]

LARGEST COBALT MAGNETO GENERATOR--Chengdu, 28 Mar (XINHUA)--China's largest cobalt magneto generator which has been found to meet all requirements by experts through an appraisal in a plant in Sichuan Province has proved a success in the application of the rare earth element of cobalt. The 75 kilovolt-ampere generator is also one of the biggest in the world. It will be used in a 300,000-kilowatt tlycm [as received] generating unit. Tests indicated that the generator's technical performance is up to standard, plant officials said. The size, weight and cost of the generator have been reduced and the capacity increased, as its magnetic circuit has been improved, compared to those produced abroad, according to experts. Cobalt magnets were developed in the late 1960s. Success of the cobalt magneto generator is expected to help improve electrical machines and use cobalt in industry. The new generator was jointly developed by the Sichuan Dongfang electrical machinery plant, and various institutes and institutions of higher learning in other parts of China. [Text] [Beijing XINHUA in English 0720 GMT 28 Mar 83 OW]

CSO: 4010/49

DOMESTIC TRADE

CONFERENCE ON COMMERCIAL WORK IN HEBEI REPORTED

Shijiazhuang HEBEI RIBAO in Chinese 12 Jan 83 p 1

[Article: "Create a New Situation in Commercial Work Through Restructuring and Correct Policies--Resolution of Provincial Commercial Work Conference"]

[Text] The provincial commercial work conference ended on 3 January after 13 days' session. The main items in the agenda of the meeting were to relay the spirit of the national commercial work conference, to further emancipate the mind, to adopt flexible policies and to speed up the restructuring in order to create a new situation in commercial work throughout the province.

The meeting discussed the new situation of commercial work and the glorious task involved. With the popular adoption of the output-related system of contracted responsibility in agriculture and the rapid development of economic diversification, the inconsistency of commercial work in the countryside is now becoming increasingly apparent. In some localities, the peasants have difficulty in either buying or selling, and many latent resources and other strong points cannot be brought into full play. Therefore, the stimulation of commodity circulation in the countryside can no longer be delayed. The readjustment and restructuring in industry have brought about a rapid increase in the production of articles for daily consumption. The seller's market is beginning to become the buyer's market and in some localities, slow selling and overstocking have hindered normal production and business operation. The tasks of promoting circulation, sales and production, and guiding production are very arduous. Along with the development of production and the all-round increase in consumption in various aspects of people's daily life, including food, clothing, daily necessities and housing, household labor has gradually become social labor. The rapid development of commerce, service trade and repair trade and the improvement of these services in order to meet the needs of consumers, are the urgent tasks. At present, the whole party and all the people are watching commercial work with great concern. After the 12th National Congress Party, in particular, commodity production will develop in an even larger scale and rise to a higher level, and it will be necessary for commercial workers to continue their efforts in opening new fields of service, make full use of the role of circulation as a feedback for production, and better serve people's daily increasing needs in their material and cultural lives.

The participants at the meeting deeply felt that in order to create a new situation, it is necessary to continue the elimination of the influence of "leftist" thinking and the emancipation of minds. Courage is needed in creation, restructuring and breaking through the old conventions. Innovations should be actively supported and properly guided, and experiments should be encouraged. The meeting strongly pointed out that for a long time, "eating from the same pot" and "iron rice-bowls" have been the cause of all defects in commercial work, since they dampen the enthusiasm of enterprises and their workers and staff members, stifle real talents and help breed laziness. Therefore they must be the main targets of our attack which we hope will result in a breakthrough in the creation of a new situation. Solution of this problem calls for determination. The meeting also discussed and worked out concrete plans for the adoption of more flexible policies on the procurement and marketing of agricultural and sideline products and the development of collective commerce and individual commerce. It also dealt with the question of all-round reorganization of enterprises and the strengthening of socialist spiritual civilizations.

Responsible comrades of the provincial party committee and the provincial government including Gao Yang [7559 2254], Liu Bingyan [0461 4426 1750] and Zhang Shuguang [1728 2562 0342] attended the conference. Acting Governor Liu Bingyan made an important speech, followed by the speeches of vice governors Guo Zhi [6753 1807] and Hong Yi [3163 3015]. Responsible comrades of the provincial finance bureau, administration of prices, labor bureau and other departments also attended the conference and expressed their active support for commercial restructuring.

9411

CSO: 4006/232

DOMESTIC TRADE

URBAN-RURAL ECONOMIC DISTRICTS PROPOSED

Guangzhou NANFANG RIBAO in Chinese 24 Jan 83 p 3

[Article by Wang Zhuo 3769 3820]: "The Cities Must Lead the Countryside to Bring About a Great Development of Urban and Rural Commodity Production"]

[Text] Cities are a product of the development of the social division of labor and commodity production to a certain level. Commercial markets began to appear after human society had undergone the third great social division of labor; a further development of commodity production promoted the formation of cities. The progress of modern science and technology and the development of the social division of labor have promoted the rapid development of commodity production, and day-by-day turning cities into economic centers of distinct economic regions and controlling the economic lifelines of the rural areas. At the same time the agricultural economy of the rural areas is the foundation upon which cities rest. When the social economy has developed to a certain stage, leadership of the countryside by the cities and the harmonious development of the urban and rural economies become objective necessities.

Just after liberation the areas governed by provinces and autonomous regions seemed vast, economic development was unbalanced, some localities were economically backward, and communications were poor. Therefore the party and government organs of the provinces and autonomous regions set up structures (prefectural party committees and prefectural commissioner's offices) to administer several counties. At the same time some municipalities were placed under the direct control of the provincial governments. Gradually the prefectural party and government organs became more important and constituted a new level of government. For many years we indiscriminately copied the planned economy system of production from certain other countries. The primary characteristic of the administrative method that we adopted to organize production was "government and enterprise are one." Production and circulation were organized according to administrative departments, administrative divisions, and administrative methods. If the administrative structure had a certain number of divisions, lines, and levels, then economic management had to have the same number of divisions, departments, and levels. Splitting up economic regions by following administrative divisions actually destroyed economic networks and split apart line from line, line from division, and city from countryside. The primary characteristic of this situation was that

government and enterprise (or commune) were one. It went so far that there were redundant structures and shoals of departments, each contradicting and sealed off from the others. This kind of administrative system and economic system not only cut the natural ties of economic activity between enterprises, but also cut the essential economic ties between city and countryside, industry and agriculture. It obstructed the expansion of commodity circulation, stifled the growth of commodity production, blocked off economic and technical exchange between city and countryside, could not bring into play the economic role of the cities, and seriously fettered the development of the social forces of production.

Since the Third Plenum of the 11th Central Committee the "leftist" errors which take class struggle as the key link have been corrected. There has been a struggle shift in the focus of work of the party and the state: the basic task of the state is now the concentration of forces to carry out socialist modernization and construction. We have already entered a new era in economic development. Its important characteristic is great development of urban and rural commodity production. It demands an end to the separation of industry from agriculture and city from countryside, and the implementation of new administrative and economic systems of rural-urban amalgamation and leadership of the counties by the cities. The development of the worker-peasant alliance, urban-rural mutual assistance, and implementation of a new system of leadership of the counties by the cities, have already become a great historic tide in the movement for socialist modernization and construction.

Some comrades approve of leadership of the countryside by the cities, but are worried about a relaxation of leadership over agricultural production. We believe that leadership of the counties by the cities can strengthen agriculture in all kinds of ways. The implementation of structural reforms for urban-rural amalgamation and leadership of the counties by the cities is necessary for industrial growth in the cities and for reform of the economic system. These are the facts. However, it is the objective requirements for agricultural development which are of greatest importance. Agricultural development depends on science and scientific and technological forces are concentrated in the cities. Industry is the leading factor in agricultural development, and industry is also concentrated in the cities. The leadership of the countryside by the cities is in accordance with the laws of social and economic development.

At present a new transformation is taking place in the countryside which will lead to a new situation. This new situation makes the leadership of the countryside by the cities even more necessary. What is this new transformation taking place in the countryside? First, the rural economy is undergoing a transformation from self-sufficiency and semi-self-sufficiency to large-scale commodity production. Second, traditional agriculture is beginning to be transformed into modernized agriculture. With these two transformations the need for the cities to play the role of economic centers to the fullest becomes very urgent. The leadership of the countryside by the cities and the leadership of agriculture by industry can strengthen urban-rural economic links. Through the many layers of economic links and the contract system, the

contract-based economic activities of rural households and teams and the new links formed by the self-managed economic activities of specialized households and key households can establish close connections with the large-scale socialist economy of large state-operated industry, communications and transportation, commerce, scientific research and information organization, etc. Furthermore, economic regions and networks should be set up with the cities as centers and the countryside as the hinterland, thereby promoting economic prosperity in agriculture and the small market towns. This type of urban-rural network is not the old type of connection between cities and suburban districts, but is a new type of urban-rural economic linkage through commodity production.

The implementation of urban-rural integration with the cities leading the countryside is also a critical precondition for ensuring that agriculture takes the socialist road. With division of labor and occupational specialization in the countryside, the development of the specialist household contract responsibility system, and the growth of commodity production in the rural areas which is based on these factors, the peasants must organize new economic relationships, abolishing government-commune unity and the system of three-level ownership with the production team as the basic accounting unit. The contract economy of peasant households and groups must link up with the large-scale state-operated economy, so that their principal economic activities become an organic part of the socialist economy through economic channels which bring them into line with state plans. The public ownership of land is an important condition, but not a determinative condition, of the socialist character of the agricultural collective economy and of the peasants taking the socialist road. The decisive condition is the establishment of close economic ties between the rural economy and the large-scale state-operated socialist economy.

To summarize, our national economy is a unified whole based on commodity production. It requires the development of economic cooperation and commodity exchange between city and countryside. Relations of production in our country are unified socialist relations of production. They supply the social preconditions for overcoming the antithesis and the gap between city and country. The economic system of our country is a unified planned economy. It requires the elimination of irrational redundant construction in cities and countryside, redundancy of production, and the crowding out of advanced technology by backward technology. All the above requires breaking down the division between cities and countryside, urban-rural integration, leadership of the countryside by the cities, and making the cities play the role of economic centers to the fullest.

How can we make cities play the role of economic centers to the fullest? If we look at the situation in Guangdong Province we can envisage the following three steps:

(1) Set up small economic districts and economic networks with medium-sized cities as the central points. In economically developed districts rural and urban structures should be merged and the cities should provide leadership to the surrounding counties. If there are several medium-sized cities in a

district, then the surrounding counties should be placed under their leadership. It is not necessary to stick to a principle of "one district--one city." In some districts which are economically underdeveloped but which already have market towns of a certain size and the proper conditions for further development, it is still appropriate to set up small economic districts with cities leading the surrounding counties. This method can help to accelerate the economic development of such districts. In only a small minority of economically underdeveloped districts it is permissible to continue with prefectural administration as a transitional method. However, prefectural administrative organs are sent out from the provincial government. They have only a nominal existence and are not a separate level of governmental authority. In general the provinces should not directly manage industrial enterprises. With the exception of large energy and communications enterprises and a small number of enterprises which serve the entire province, the management of industrial enterprises which are operated by the provinces should be turned over to the cities in which they are located. After the provincial enterprises have been transferred to city management, we should continue to develop management along trade lines.

(2) Set up intermediate economic districts and networks to further economic integration: Guangzhou Municipality should be the center, medium-sized cities should be satellites, the three special economic zones of Shenzhen, Zhuhai, and Shantou should be the gateways, the Zhujiang Delta should be the hinterland, and the broad countryside should provide support. However, this should not be done by extending the administrative area of Guangzhou Municipality, but through furthering economic integration and setting up economic networks. Of course, Guangzhou would only be the economic center in an overall sense. Not every enterprise or trade should take Guangzhou's enterprises and trades as their center. This would depend on the location of the most advanced technology and the greatest economic superiority as determined through competition of economic strengths and advantages. Technological and economic superiority might lie in some other city instead of Guangzhou and in such a situation the enterprise and trades should take that other city as the center.

(3) Develop the role of Guangzhou as economic center of south China. Organize a rational economic network and set up a large south China economic district with Guangzhou as the economic center, some of the medium-sized cities of neighboring provinces as satellites, and the special economic zones as the bases for economic cooperation, economic trade, and technological exchange with foreign countries.

The principal contradiction at the present time is the problem of resoluteness in making reforms. The keys are a high degree of resolve, making precise plans, and moving quickly and with firm steps. With rational planning and a period of hard work we can step by step create small, intermediate, and large economic districts and networks, having small, medium, and large cities as their centers. In accordance with the principle of economic rationality, we can develop many forms of economic cooperation and integration and step by step create a national economic structure of the network type in Guangdong. If the small, medium, and large cities in this network type national economy play the role of economic centers in the economic districts of various sizes, then we will have a new situation in the reform of Guangdong's economic system.

DOMESTIC TRADE

SICHUAN TO BOOST COMPETITION

HK230257 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 22 Mar 83

[Excerpts] The provincial government has decided to break down the sealing off of regions and to stop protecting backward local products. The province and every city, prefecture and county must allow commodities from elsewhere to enter and compete in their markets. It is also necessary to take steps to support local industry and allow local products to improve their competitiveness amid competition and catch up with advanced levels outside the province. This decision was announced by acting governor Yang Xizong at the summation meeting of the provincial industry and communications work conference.

In previous years certain departments and areas in the province took steps to restrict entry and sales of products made elsewhere. The provincial government has now decided to totally abolish these restrictions.

Yang Xizong said when announcing this decision: due to the rather low level of management and technical equipment, local products made in Sichuan are generally of poorer quality, smaller variety and higher price than those made in coastal provinces and cities. To change this state of affairs, we not only need to carry out restructuring, reorganization and transformation within the enterprises, but must also unfold competition in the markets. Only by linking internal motive force with external pressure can we fundamentally improve management and economic results and expand sales outlets.

He also said: China is a unified socialist market. To ensure circulation and exchange of commodities and promote the rapid development of the economy, we must break down the boundaries between regions and encourage mutual competition. If we adopt a protectionist policy and apply all kinds of administrative and economic measures to seal off our local markets and restrict products from elsewhere, the sole result can be that, the more protection is enforced, the more backward we become.

Yang Xizong said: While deciding to open up our markets, the province will correspondingly adopt a number of measures for supporting local industries. On the one hand we will help backward enterprises with inferior and high-priced products that can hardly compete to reform their management setup, improve management standards, develop product variety, cut production costs and carry out technical transformation centered on improving product quality. On the other hand, we will take advantage of the province's famed and key products and commodities that sell well, and organize enterprises to get reorganized and form combines to increase output and sales and take part in competition in markets elsewhere.

DOMESTIC TRADE

HEILONGJIANG PURCHASING COMMODITIES MEASURES ADOPTED

SK229753 Harbin-Heilongjiang-Provincial Service in Mandarin 1100 GMT 21 Mar '83.

[Text] The provincial meeting of directors of commercial bureaus ended in Judanjiang City today. New measures for reforming the province's system on commodity circulation and for relaxing the restrictions on commodity management and administration were adopted. These new measures are:

1. Reform the commodity management methods. Meat-worthy sheep, chickens, noodles and starch are to be managed by various channels. Live hogs, which are one of the commodities to be allocated and managed through planning, are permitted to be slaughtered and marketed by peasant households after they have fulfilled their assigned procurement tasks. Collectives and individuals are permitted to sell them at negotiated prices. Rural collectives and individuals are permitted to peddle fresh eggs after they have fulfilled the assigned procurement tasks and urban collectives and individual traders are allowed to do so after they have completed handing over the base amount of fresh eggs to cities in exchange for chicken feed. State-run commercial units are permitted to hang out their shingles to procure the above-quotas eggs openly and they may purchase and sell them at negotiated prices.

Spring harvested potatoes are permitted to be purchased and sold at negotiated prices. Delivery tasks on spring potatoes are to be implemented only in the six key producing counties of Nehe, Keshan, Yian, Nenjiang, Dedu and Mingshui, instead of the previous 12, where they have to procure potatoes through planning and have to deliver at fixed quotas. This method will not change for 3 years. After fulfilling the fixed-quota delivery tasks, people are permitted to sell them through various channels.

2. Reform the method of delivering and allocating fresh and live commodities. In managing live hogs, it is necessary to popularize Harbin City's experience in organizing neighboring counties to deliver 100 hogs directly to cities for quarantine and to try every possible means to relax the restrictions on procurement, slaughtering, transport, delivering to cities and marketing. Large and medium-sized vegetable shops may directly hook up with production teams and specialized households to engage in whole or retail sales. They may also import vegetables from other localities or may select and import the best ones from other provinces.

3. Reduce the transfer links of industrial goods. Retail enterprises and state-run retail commercial units may hook up with plants inside and outside the province to select and import all commodities, except those that are allocated through planning, so as to break with the limitations in towns and cities and in departments and regions in the circulation of commodities. In line with the principle of rational economic relations, state-run commercial units may set up wholesale or retail centers in rural areas and supply and marketing cooperatives may also do so in cities.

4. Relax limits of authority in dealing with commodity prices were under the unified management of the city pricing department have been reduced to 12. The prices of meat products are allowed to be fixed according to its quality. Meat products of the same variety but of different quality are permitted to be sold at different but reasonable prices. Under the premise of ensuring stable retail prices of industrial products on the market, industrial and commercial departments may procure commodities from factories at prescribed factory prices or at negotiated prices in the light of market variations.

CSO: 4006/396

DOMESTIC TRADE

'RENMIN RIBAO' REVIEWS TRADEMARK LAW FUNCTIONS

HK240759 Beijing RENMIN RIBAO in Chinese 18 Mar 83 p 5

[Article by Duan Youlin [3008 1635 7792]: "Several Questions About China's Trademark Law"]

[Text] The "trademark law of the PRC" was put into practice on 1 March 1983. This was a law made by our country to regulate the economic relations concerning trademarks.

The Use of Trademarks

What are trademarks? It is generally acknowledged that trademarks serve to distinguish between goods produced by different producers. In modern international economic life, they not only indicate the products of an enterprise and are a competitive means representing the goodwill of an enterprise, but also are a kind of transferable industrial property right possessed by an enterprise. A trademark with a good reputation is of vital significance to the production and operation of an enterprise.

In our country where vigorous efforts are being made to develop socialist commodity production and commodity exchange in the socialist economic principle of taking planned economy as the key link and market regulation as the supplement, trademarks will not only continue to exist but also play a tremendously important role in promoting commodity production and circulation. Generally speaking, a trademark plays this role through its functions.

1. A trademark performs the function of indicating the source of the commodity. The source of the commodity does not mean the place where it is produced but the enterprise by which it is produced. That is to say, commodities bearing the same trademark are produced by the same enterprise. An enterprise may use its trademark as a means to distinguish its products from those turned out by other enterprises and to attract consumers to buy its products. This will urge an enterprise to build and consolidate its goodwill and to produce commodities of fine quality for sale in the market at a fair price, so as to ensure its position in the market.

2. A trademark performs the function of indicating the quality of the commodity. That is to say, commodities with the same trademark always have the same quality. By selecting goods of a certain brand or trademark, the consumers can buy goods of a specified quality. This function of a trademark helps satisfy the consumers' needs and defend their interests.

3. A trademark performs the function of promoting sales. Representing the goodwill of an enterprise and indicating the quality of the commodity, a trademark naturally is an effective means of advertisement. Advertisement of a trademark will deeply impress the public with the enterprise and its products, thereby increasing sales.

Protection of the Exclusive Right To Use a Trademark

Protecting the exclusive right to use a trademark is a key link in perfecting the trademark law. The socialist market becomes more and more brisk with each passing day following the reform of the economic system, the assignment of greater decision-making power to enterprises and the opening of channels of commodity circulation. Under the new circumstances, many enterprises vehemently feel the need for exclusive rights to use trademarks and demand that their exclusive rights to use their trademarks be protected and that the unlawful acts of making counterfeits or imitation goods of registered trademarks be stopped. In view of this situation and by proceeding from the point of perfecting the socialist legal system and protecting the social economic order, it is necessary to take prompt action to strengthen protection of the exclusive rights to use trademarks. For this reason, the protection of exclusive rights to use trademarks is put in an important position in the new trademark law. It is also clearly stipulated that the owner of a trademark approved and registered by the trademark bureau enjoys exclusive right to use the trademark and this trademark is protected by law. That is to say, only the registered owner, and no one else, is allowed to use an approved and registered trademark. Except with the permission of the registered owner, no one is allowed to use the same or a similar trademark on the same or similar kind of commodity. Otherwise, he will have infringed on the trademark rights and will be punished by law.

The key to protecting the exclusive right to use a trademark lies in effectively stopping activities of infringing on trademark rights. Relatively concrete and flexible provisions have been laid down in the trademark law. In the event of infringement of trademark rights, the trademark owner may ask the industrial and commercial administrative department in the place where the infringer decides to take administrative action on the latter, or directly use the infringer in a people's court. A person who arbitrarily falsifies another person's registered trademark shall compensate for the loss, according to ruling, to the person whose trademark right has been infringed on, and may also be subject to a cash fine. The judicial organ will prosecute the person who is directly responsible for the crime. The present situation shows that infringement on trademarks and falsification of registered trademarks run rather rampant in some localities and are intermingled with criminal activities in the economic sphere. These merit close attention and must be seriously handled according to law.

Supervision Over Quality of Commodities

While giving prominence to the protection of the exclusive right to use a trademark trademark law continues to regard the supervision of the quality of commodities as an aspect of trademark work. This is an outstanding characteristic reflecting that the trademark law of our country has a Chinese character.

Some comrades may ask why it is still necessary to supervise the quality of commodities through the control of trademarks since the protection of the exclusive right to use a trademark serves to urge an enterprise to cherish its goodwill and guarantee the quality of its products. This is because a few enterprises which follow improper business methods tend to neglect their trademarks and the quality of their products, confine their scopes of vision to profit-making and cheat consumers by manufacturing goods in a rough and slipshod way. In the western countries, the poor sale of goods of a brand because of poor quality is said to be the result of punishment by the consumers. That is to say, once a consumer has bought a product of poor quality, he will not buy it again, and the enterprise which produces such goods will close down because its goods are unsalable. Of course, we want neither the consumers to be cheated nor the enterprises to be "punished" and closed down. We should supervise the quality of goods through day-to-day work and prevent and minimize the occurrence of the phenomena mentioned above. It is laid down in the trademark law that the acts of manufacturing goods in a rough and slipshod way and cheating the consumers by passing off goods of secondary quality for goods of top quality must be stopped and punished and the trademark of such goods will be cancelled. At the same time, it is stipulated that the transferee of a registered trademark should guarantee the quality of goods bearing this trademark. With regard to the signing of a contract permitting the use of a trademark, it is laid down that the person granting the permission and the person receiving the permission are responsible for the quality of goods bearing the trademark.

Revision of the Method of Registering a Trademark

During the late 1950's, our country adopted the method of all-round registration of trademarks, requiring all trademarks to be registered. Later, it was laid down that to commodity bearing an unregistered trademark should be allowed to be put up for sale in the market. Under these circumstances, some enterprises did not understand that applying for the registration of a trademark meant protecting their just rights and benefits pertinent to the trademark. They even regarded the registration of a trademark as a burden and said that paying a fee to apply for the registration of a trademark was like "paying money to invite trouble." In recent years, following the reform of the economic system and the giving of greater decision-making power to enterprises, it can be seen more and more clearly that the method of mandatory registration of all trademarks hinder the enterprises from arousing their enthusiasm and strengthening their sense of law.

According to the current trademark law, the practice of mandatory registration of all trademarks has been changed and an enterprise may, when necessary and on its own initiative, apply for registration of a trademark for its exclusive use.

The exclusive right to use an approved, registered trademark is protected by law. Unregistered trademarks are not protected by law. Some people worry that changing the practice of mandatory registration of all trademarks may weaken the control of trademarks and lead to confusion in the use of trademarks. Their worries are unnecessary. First, the trademark law specifies in explicit terms the protection of the exclusive right to use a trademark, the clampdown on infringement of this right and the prohibition of use of unregistered trademarks. The control of trademarks will be more effective if work is carried out according to law. Second, following the change in the practice of mandatory registration of all trademarks, administrative measures are no longer adopted for mandatory registration of all trademarks. Instead, efforts are made to help the enterprises increase their understanding of the functions performed by the trademarks and to urge them to actively and consciously apply for registration of their trademarks so that they can enjoy exclusive use of their trademarks and protect their just rights and profits. Moreover, a few varieties of commodities, such as medicine, which are closely related to the people's everyday life, are required, as before, to bear registered trademarks, otherwise they will not be allowed to be sold on the market. All these impose still higher demands on the control of trademarks.

CSO: 4006/396

DOMESTIC TRADE

SALE OF AGRICULTURAL, SIDELINE PRODUCTS IN CITIES PROMOTED

Guangzhou NANFANG RIBAO in Chinese 27 Jan 83 p 1

[Article: "Devote Major Efforts to Organize the Sale of Agricultural and Sideline Products in Cities--Provincial Commerce Department, Supply and Marketing Cooperatives and Industrial and Commercial Bureau Have Put Forward Measures to Further Relax Purchase and Sale Policies and Open Up Circulation Channels"]

[Text] Recently the provincial Commerce Department, provincial supply and marketing cooperatives and provincial Industrial and Commercial Administrative Control Bureau have put forward measures to further relax purchase and sale policies, requiring all localities to open up circulation channels and exert efforts to promote the sale of agricultural and sideline products in cities.

In recent years, with rapid development of diversified economy and widespread practice there have appeared in large number, in our province's rural areas, specialized and key households. Our vast rural areas are presently entering an era of great development of socialist commodity production. In this new situation, in order to further solve the problem that agricultural and sideline products are difficult to get and are expensive in cities, while they are difficult to sell and inexpensive in rural areas, our provincial Commerce Department and other units have recently requested all localities to relax purchase and sale policies, reduce links in management chain, and expand network outlets for transporting and selling agricultural and sideline products. Agricultural supply and marketing cooperatives, food centers, warehouses, agricultural and animal husbandry farms, communal and production team enterprises, individual traders and specialized households are equally allowed and encouraged to take directly to Guangzhou city and other medium-size cities and county towns and sell there agricultural and sideline products under the management of commercial and supply and marketing departments, including third-category products as well as first- and second-category products allowed after having fulfilled the unified state purchase assignments. All the purchase and sale stations, basic level stores, retail departments, etc., under city's commercial and supply and marketing departments, may purchase directly within their own business scope. The ways to manage the sale of agricultural and sideline products in cities must be flexible and varied, making things convenient for product owners. The city managing units can

sell, or sell on commission, products, or commodity exchanges can act as go-betweens, bringing direct contact of production and marketing. It can also be a joint venture with units that are geared to the needs. We must especially encourage and support those places that produce traditionally famous brand products to open retail department stores or run jointly managed stores in Guangzhou and other cities in tourist areas, bringing into full play the advantages of famous brand local products. All units, retail stores, in charge of agricultural and sideline products, under commercial and supply and marketing departments of large and medium-size cities, must try what they can to improve service attitudes. To solve the difficulties transportation and sales units and individuals encounter in commodity deposit, maintenance and transportation, as well as board and lodging for those on business trips, the departments must create more favorable conditions to promote the sale of agricultural and sideline products. All the accounts of transportation and sale of agricultural and sideline products by individual businesses in rural areas or purchase of commodities in cities can be settled in cash.

The provincial Commerce Department and other units also require all localities to do the following: All third-category agricultural and sideline products, and all first- and second-category agricultural and sideline products allowed to go on the market after having fulfilled the unified state purchase assignments, are to be purchased and sold at negotiated prices to be fixed by the two parties through consultation. Some fresh and live commodities should rationally be given a minimum protective price so that in case of some special circumstances the persons who transport and sell the products will not suffer losses. While we encourage the sale of agricultural and sideline products in cities, we must, by every possible means, promote industrial products in the rural areas, expanding circulation of goods and materials between cities and rural areas. All those units and individuals who bring agricultural and sideline products into cities to sell can suit the convenience of their means of transportation, and with certificates provided by the basic-level commercial supply and marketing units (collective or individual businesses using business license), can stock stations of wholesale manufactured goods for daily use with their products and enjoy the price differences between wholesale and retail and between localities.

12200

CSO: 4006/319

DOMESTIC TRADE

INDIVIDUAL ECONOMY UPHELD IN NEW CONSTITUTION

Yinchuan NINGXIA RIBAO in Chinese 26 Dec 82 p 4

[Article: "Constitution Protects Legitimate Rights and Interests of Individual Economy"]

[Text] The "Constitution of the PRC" adopted by the Fifth Session of the Fifth National People's Congress fully reflects the four basic principles as a summary of the guiding ideology of national political life, fully reflects the aspirations and will of the people of all nationalities, is in accord with the current actual situation, and considering its prospects for development, is indeed a new constitution characteristic of our country and suited to the needs of socialist modernization.

Among the general principles of the constitution, the confirmation of socialist public ownership of the means of production is the foundation of our country's socialist economic system. Moreover, based on historical developments and the current situation in our country, the urban and rural individual economy is allowed to exist and to have a definite degree of development over a fairly long period of time. Article 11 of our country's new constitution provides that, "Within the limits provided for by law, the urban and rural worker's individual economy is a supplement to socialist public ownership. The state protects the legitimate rights and interests of the individual economy. The state administers and manages, guides, helps and supervises the individual economy." Having this provision, the individual economy's existence and development and its legitimate rights and interests are legally guaranteed. Although this provision is simple and clear, its significance is nevertheless very profound. It clarifies that the individual economy is a component part of our country's economic structure, and is regarded as a supplement to the socialist public ownership economy and its existence and development. Yet this existence and development is confined within the limits provided for by law, and is not unrestricted development. Moreover, it also clearly provides that what the constitution protects is the legitimate rights and interests of the individual economy, thus requiring that personnel engaged in business must observe discipline and law, not engage in illegal activity, and accept the guidance, help and supervision of state or state-commissioned departments exercising their management functions and powers; if there is

illegal activity and income, the state must use sanctions to guarantee that the interests of the masses aren't infringed upon in any way. This both guarantees the development of the individual economy, and also restricts illegal activity. Since the state-owned economy is the dominant force in the national economy, and since the proportion occupied by the individual economy in the national economy as a whole is not large, the existence of the individual economy without obstructing socialist public ownership is the basis of our country's economic system and its successful development.

Why must our country provide a constitutional allowance for the existence and development of the individual economy? This is because the present stage of the individual economy has functions which other economic forms cannot replace. Judging by production, due to the diversification and changes in people's lives, depending solely on the products of the state-owned and collective economy cannot completely satisfy their needs, and they must have products of the individual economy to supplement its inadequacies. Judging by circulation, due to characteristics such as individual retailers having a wide range of dispersion, flexible management, diversified methods, convenience to the masses, and offering good services, they can remedy the defects of commercial networks being insufficient, and distribution being uneven in various areas. Moreover the individual economy is also an important way for cities and towns to tap new sources of employment for unemployed youth. In the existing individual economy in our area, only 26 percent of unemployed youth are engaged in individual industrial and commercial businesses. Since they are willing to either work or study, many unemployed youth have taken advantage of the opportunity and begun businesses with little capital, and this has not only been beneficial to the state and convenient for the people, but also has increased individual income.

Since the state has written the individual economy into the constitution, we should adopt a correct attitude toward it, support it in all respects, and help it. Judging by general appearances, the development of the individual economy in our area is currently still very slow. By the end of the third quarter of this year, there were altogether only a little over 5,000 families engaged in urban and rural individual economic activities in the whole area, and less than 6,000 people engaged in business. Among them were 1,800 urban families and 2,000 people engaged in business. There were a little more in the two cities of Yinchuan and Shizuishan, but both had less than 500 families. Some counties only had a few families, and less than 10 people engaged in business. The major reason why the development of the individual economy is so difficult is because some departments and units lack a correct understanding of the legality, position and function of the individual economy, and thus don't support it, don't give it free rein, and even encroach upon its rights and interests. For example some want to repeatedly tax and charge the individual families, restrict their supply of goods, and progressively suppress them; some cities and towns place all sorts of checkpoints for individual families who apply to open a business, and it takes several months and even as much as half a year to be given an official reply; some arbitrarily control expenses

of individual families, and families, and fees for such things as environmental sanitation, afforestation and construction land affected their normal income; some even indiscriminately drive away the individual families and unreasonably create difficulties for them. These above-mentioned erroneous practices cause some unemployed youth to depend instead on the state and wait for its distribution, and also to not go and work as what they think are "bullied" and "dishonorable" individual families. In this way, how can the development of the individual economy not be affected?

In order to implement the provisions of the constitution to protect the legitimate rights and interests of the individual economy, to correct some of the harmful atmosphere in society, and to establish the legal position of the individual economy in national economic activity, the first problem is the need to rectify understanding. Concerned units and departments must clarify the state-owned, the collective, and the individual economy, and the advantages of each within definite limits; their positions and functions are different, but all are indispensable to the national economy as a whole. On the premise of upholding the dominant position of the state-owned economy, we must develop diversified economic forms beneficial to the prosperity of the national economy as a whole. The individual economy must be treated the same as the rest of the economy, and not be discriminated against or suppressed. All aspects such as the distribution of the supply of goods, grants for payment of goods, and tax revenues must be in accord with national provisions, and be put on an equal footing. Concerned responsible departments should also regularly publicize the government's related policies and decrees to personnel engaged in individual economic activities, help them to solve actual difficulties, and lead them in better serving socialism. Provided they first, don't engage in speculation and profiteering; second, don't exploit others; third, don't smuggle' and fourth, don't evade taxes, then we cannot restrict their normal business income, and their legitimate income should receive conscientious protection under state law. Besides making sure they are in line with tax law provisions for tax organs collection and with local government provisions for neighborhood organization's collection and management costs, we should not undertake other economic duties.

12267

CSO: 4006/202

DOMESTIC TRADE

BRIEFS

SHAANXI COUNTRY FAIR TRADE--Last year, country fairs in Shaanxi Province had ample supply of commodities and business was brisk. The total volume of trade of the province last year was some 970 million yuan, an increase of 11.7 percent over the preceding year. The number of country fairs in the whole province last year was 1,195, or 68 more than in 1981. Six large and medium-sized cities opened up 16 special fairs, such as the fairs of industrial products, bicycles, furniture, flowers and birds. Apart from the number of live pigs sold which slightly dropped, the number of 15 main commodities sold last year in the urban and rural fairs throughout the province was more than in 1981 at different degrees. [HK220534 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 8 Mar 83 HK]

CSO: 4006/396

TRANSPORTATION

BRIEFS

SHANGHAI SHIPS FOR EXPORT--Shanghai shipyard is building two 12,300-ton container ships for a West German shipping company. One of the two ships was launched and the other was completed and delivered on 26 February. [Shanghai City Service in Mandarin 2300 GMT 26 Feb 83 OW]

CSO: 4006/396

FOREIGN TRADE

'BEIJING REVIEW' DISCUSSES OPEN DOOR POLICY

HK240627 Beijing BEIJING REVIEW in English No 11, 14 Mar 83 pp 15-20

[Article by Zheng Hongqing, staff member of the Economic Research Center under the State Council: "Chinese-Type Modernization (7): Opening to the Outside World and Self-Reliance"; passages within slantline printed in boldface]

[Text] China consistently has stressed that socialist modernization must be carried out on the basis of self-reliance in the context of striving for a peaceful international environment. It regards its opening to the outside world and expanding of economic and technological exchanges with foreign countries as necessary conditions for its modernization.

In Order of Priority

What should be the relationship between self-reliance and opening to the outside world?

Self-reliance means that a country relies on its own strength, uses its own resources, materials and technology, and independently draws up a strategy for economic development according to its own conditions.

It does not mean closing the door to the outside world. In the world today, production, commodity circulation and science and technology are so highly developed that no single country has all the resources and technology needed for developing its economy. All countries, including the socialist ones, seek to take advantage of the international economic environment to promote their own economic development by exchanging what they have for what they lack.

As China's economy and technology are relatively underdeveloped, it is impossible for it to shut itself off and build up the country divorced from the rest of the world. It must base itself on self-reliance and, on the premise of equality and mutual benefit, strive to obtain foreign aid, learn all that is of use from other countries, use both domestic and foreign resources, expand domestic and foreign markets, develop economic relations with other countries and promote construction at home.

Some Westerners say that the most effective way for a developing country to modernize it is to focus its industrial and economic development on foreign trade. They claim that this practice stimulates capital accumulation and accelerates development.

Instead of doing things this way, China relies mainly on its own efforts and makes external assistance supplementary. China's experience has proved the importance of recognizing the proper priority between the two.

Foreign Economic Relations

China corrected "leftist" errors after 1978 and implemented a policy of opening to the outside world. Previously, particularly during the "Cultural Revolution," China made the principle of self-reliance an absolute dogma. The correct view of "opposing the blind worship of things foreign" was carried to extremes, which led to indiscriminate repudiation of everything foreign. In reality, this meant sealing itself off from the outside world. This was one reason the economy stagnated during those years. China's economic relations with foreign countries only began to pick up in recent years.

/Increase in foreign trade./ China's gross export-import volume reached 73,530 million yuan (about US\$40 billion) in 1981, twice that of 1978. Last year, China's volume of exports continued to increase relatively rapidly despite a depressed world market. The number of China's trading partners has increased steadily. By the end of 1981, it had established economic and trade relations with 174 countries and regions and the Chinese Government had trade agreement or protocols with 89 countries and the European Economic Community.

/Foreign capital and joint ventures./ By the end of 1981 the Bank of China has established agency relations with 2,920 main and branch organizations of 1,071 banks in 146 countries and regions, a 28-percent increase over 1978.

In assimilating foreign capital, China strictly honours its contracts and lives up to its word. It also has a reputation for prompt repayment of its foreign loans. Since 1979, foreign governments and international financial organizations have promised or signed agreements to provide China \$5,700 million in loans. Furthermore, the Bank of China has buyer-credit agreements for \$13,000 million with commercial banks in various countries.

/Direct foreign investments./ Of the more than 40 already approved joint venture enterprises between China and foreign investors, nearly 30 are in operation. To date, 390 joint venture projects, 590 medium-sized or small compensatory trade projects and 4 joint offshore oil exploration and exploitation projects have been approved. Chinese enterprises also have absorbed foreign capital in the form of equipment through such means as leasing and processing of materials provided by foreign firms. Altogether, China has absorbed about \$3,000 million in foreign investments in these forms of joint ventures.

/Technology and equipment imports./ Through such forms as foreign trade, economic cooperation, technological cooperation and technological exchanges, China has imported \$10,000 million worth of advanced technology and equipment in the past few years.

At the same time, through such diverse means as licensed trade, consulting services, technological services and cooperation in production, China has obtained additional advanced equipment and technology from abroad.

/Project contracting abroad and technological and labour services cooperation./ China has set up 16 contracting corporations that undertake projects abroad. In 1981 these firms signed more than 300 contracts with a total value of about \$500 million for engineering projects or labour services in more than 30 countries and regions. In fulfilling these contracts, China has sent 25,000 technicians and workers abroad.

/Special economic zones./ In 1980 China began setting up special economic zones in the areas of Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province. These zones offer favourable terms to investors from Xianggang (Hong Kong), Aomen (Macao) and foreign countries. Construction work in these zones have met with initial success with the completion of most basic facilities and services necessary for economic development, such as roads, wharfs, water and power supplies and telecommunications. More than 20 factories built with foreign capital are in operation.

China's development of economic relations with the outside world has boosted the readjustment of its national economy and accelerated its modernization process. But, generally speaking, things are still in the early stages and China still needs to expand its foreign economic ties and trade. With its export volume in 1981 only 1.1 percent of the world total, it is clear that China will be making greater use of foreign capital in future.

Not Dependent on Foreign Countries

Some friends of China are doubtful about the wisdom of China's open policy. They are worried that it might weaken the revolutionary spirit of self-reliance and lead to dependence on foreign countries.

It is a fact that some developing countries, having imported capital and technology, became bogged down in foreign debts, unable to extricate themselves. This is a danger China must be aware of. However, the reasons for such insolvency are:

First, a lack of a basic understanding of the need for self-reliance. These countries made dependence on foreign capital their starting point for developing their national economies. They, therefore, failed to limit the magnitude of their loans and borrowed more than they were able to repay.

Second, they imported technology and equipment that were unsuited to conditions in their countries. Poor selections combined with poor management limited their ability to put to full use the imports.

Third, they set up economic systems that were too heavily dependent on foreign markets. While needing to sell the [word indistinct] of their products abroad, they also had to obtain most of their energy supplies and raw materials from other countries. Therefore, they were unable to withstand the vicissitudes in the world economy.

The situation in China is entirely different. In the four years ending last December, China absorbed a little over 30,000 million yuan in foreign loans and direct investments, whereas its total domestic investment in one year alone was more than 80,000 million yuan. Thus, foreign capital made up a very small portion of its investments. The internationally accepted standard is that a country should use less than 20 per cent of its annual foreign earnings to pay off its foreign loans and interests. China uses much less than that.

Furthermore, China has rich natural resources, produces a full range of products and has shown an enormous export potential. These factors are the basis of loan repayment. China has summed up both foreign and domestic economic lessons and has gained some initial experience in using foreign capital to bolster its self-reliance capacity.

In foreign trade, the volume of China's imports and exports in 1981 only averaged about \$40 per capita. This is well below that of developed countries and also is lower than that of many developing countries. Even if China doubled its volume of foreign trade, it would still be very small. As China's domestic economy is not dependent on its development of foreign trade, fluctuations in the world market do not affect the stability of China's domestic economy.

Will the Open Policy Weaken the National Economy?

Some foreign friends, observing certain countries' economic disasters, worry that China's policy of opening to the outside world might weaken its national economy. We are now paying close attention to this problem.

In 1977-78, China imported too many large complete sets of equipment, including unnecessary duplication. It also blindly imported large amounts of consumer goods. This deviation, which adversely affected the development of the national economy, was very quickly corrected. We now appropriately limit imports of complete sets of equipment and emphasize bringing in only advanced technology from abroad.

Today, we only import key parts of equipment that China cannot yet produce. Our domestic economy produces the rest of the parts needed. We strictly limit imports of all products that China can produce or is able to supply, especially everyday consumer products. As China implements a planned economy, it is able to draw up a comprehensive plan and exercise unified control over imports and exports to make them help expand the national economy.

[Passage indistinct]

Note: The exchange rate for US dollars against renminbi from 1950 to 1978 was calculated according to the rate used by the People's Bank in those years, and that from 1979 to 1981 according to the reate used by the Bank of China in that period.

China's Components of Import & Export Commodities

Year	Components of Export Commodities (100 equal total exports)			Components of Import Commodities (100 equal total imports)	
	Industrial and mineral products	Processed agricultural and sideline products	Agricultural and sideline products	Means of production	Means of livelihood
1950	9.3	33.2	57.5	83.4	16.6
1953	18.4	25.9	55.7	92.1	7.9
1957	28.4	31.5	40.1	92.0	8.0
1962	34.7	45.9	19.4	55.2	44.8
1965	30.9	36.0	33.1	66.5	33.5
1970	25.6	37.7	36.7	82.7	17.3
1975	39.3	31.1	29.6	85.4	14.6
1978	34.7	35.0	27.6	81.4	18.6
1979	44.0	32.9	23.1	81.3	18.7
1980	51.8	29.5	18.7	78.9	21.1
1981	56.2	26.2	17.6	72.8	27.2

Note: Industrial and mineral products include mainly metals, minerals, machinery instruments, chemicals, Western drugs, pottery and porcelain, and chemical fibres and their products. Processed agricultural and sideline products include food, textiles, native produce and animal by-products and handicraft articles. Agricultural and sideline products include grain, cotton, edible oils, eggs, live animals and fowl, aquatic products, vegetables and dry fruits, raw lacquer and traditional Chinese crude drugs.

China's experience in recent years proves that its national economy is not weakened by systematic import, with priority given to advanced technology and key equipment needed in China's technological transformation, of certain urgently needed high-quality materials which China itself cannot provide and certain urgently needed material for industrial or agricultural production. On the contrary, such a practice promotes development of the entire economy.

Developing Cooperation With Rest of Third World

Some foreign friends wonder whether China's opening to the outside world means that it has time only for the developed countries and not the developing countries; that it remembers only its rich partners and has forgotten its poorer friends.

Being a developing country, China must absorb some construction funds and advanced technology from the developed countries in order to modernize. However, this doesn't mean that China is begging for alms. Nor does it mean that it will weaken its economic and technological exchanges and co-operation with other Third World countries.

As a matter of the Third World, China has a history of mutual support and co-operation with other developing countries. China and other Third World countries face the common tasks of developing their national economies and raising their people's living standards. Similarities in economic structure as well as in scientific and technological levels mean the developing countries can easily help each other. With extensive territories, rich natural resources and huge potential markets, the Third World countries have bright prospects for developing their foreign trade. The Chinese Government is looking into new ways for expanding China's economic and technological co-operation with the rest of the Third World.

During Premier Zhao Ziyang's recent visit to 11 African countries, he proposed four principles for economic and technological co-operation between China and other developing countries. They are: equality and mutual benefit, emphasis on practical results, adoption of various forms, and mutual development.

China will strive to expand its economic and technological co-operation with other Third World countries according to these four principles. It will also do whatever possible to change the irrational old international economic order and strive to bring about new, rational international economic relations.

In short, in its drive to modernize its economy China will steadfastly adhere to a policy of independence, self-determination and self-reliance. At the same time, it will endeavour to obtain all possible foreign aid and to strengthen its economic and technological co-operation with other countries and regions. Besides serving its needs for domestic construction, China adopts this policy to strengthen mutual understanding with all friendly countries and to promote friendship between the people of China and other lands. This also is beneficial to the cause of safeguarding world peace.

CSG: 4020/61

FOREIGN TRADE

BANK LOANS TO SUPPORT ENTERPRISES' TECHNICAL REFORM

Beijing JINGJI RIBAO in Chinese 5 Jan 83 p 3

[Article by Hou Wenzao Q186 2429 5679]: "Loans Totaling \$2.5 Billion in Foreign Exchange Granted by Bank of China To Support Technical Transformation for Enterprises and To Improve Quality of Products"

[Text] In the past several years, the Bank of China has been very active in the extension of loans to support enterprises in technical transformation. According to the bank's statistics, from January to November, loans totaling 2,578 million dollars in foreign exchanges were extended to support 802 projects. These loans have played a positive role in helping the enterprises increase their production capacity, improve the quality of their products and raise their foreign exchange earnings.

Bank of China began its experiments in the extension of foreign exchange loans in 1973, but the development has been slow. By the end of 1978, these loans totaled only 2.26 billion dollars. Since the Third Plenary Session of the 11th Party Central Committee, and in collaboration with the state policy of opening to the outside world and invigorating the domestic economy, the bank has in 3 years since 1979 granted foreign exchange loans totaling more than 9.18 billion dollars to more than 40 central government departments and 28 provinces, municipalities and autonomous regions. This amount was more than four times the sum total granted from 1973 to 1978. Of this amount, 1.66 billion dollars were loaned to local enterprises to support nearly 7,000 projects. During the period of loan redemption, these projects brought an increase of 5.7 billion yuan in output value, more than 0.7 billion yuan in taxes and 0.9 billion yuan in profits. A total amount of \$1.26 billion in foreign currency was recovered through exchange.

The loans extended by the Bank of China in foreign currency was primarily intended for financing technical transformation for the enterprises. Through the loans totaling more than 46 million dollars, 30 enterprises in the textile sector of Tianjin have imported technology and equipment and transformed and renovated their old equipment with very good results. Although these 30 enterprises accounted for only one-fifth of the total number of enterprises in the textile sector, their total industrial output value accounted for 56.63 percent; their export value, 70.8 percent; and their tax payment and profit delivery, 45.48 percent of the whole sector.

7411

CSO: 4006/232

FOREIGN TRADE

GUANGDONG CONSTRUCTION ACTIVITIES ENTER FOREIGN MARKETS

Guangzhou NANFANG FIBAO in Chinese 14 Jan 83 p 1

[Article by Luo Yuchao [5012 5940 3390] and Hu Hanwen [5170 3352 2429]:
"First Appearance of Guangdong Construction Teams on International Market"]

[Text] The building industry in our province has found its way into the markets of Hong Kong, Macao and the foreign countries in many flexible forms.

In contracting for engineering projects and in its labor cooperation with foreign countries, our building industry has mainly taken three different forms: First, entering bids. Our construction teams have participated in bidding in Hong Kong, Macao and other foreign markets, and achieved success. The relatively large projects undertaken last year were the Yabo Park and Qiji Mansion in Macao, the Holiday Inn in Heishawan and some housing projects for the United States in Saipan including a large number of tall buildings, villas and gardens with a total floorspace of more than 140,000 square meters, and a total engineering cost of more than 300 million Hong Kong dollars. These construction projects are either in progress or in the preparatory stage. Second, contracting responsibility for both labor and material. For example, in building the nine-story Huada Industrial Mansion in Macao last year (now already completed), Nanfang Construction Company of our province undertook to supply the building materials and the work force. The average progress of the construction of the structure was one story in even 7 days, and this rate was higher than what the local construction force was capable of. Thus the completed Industrial Mansion was delivered on schedule with guaranteed quality, much to the satisfaction of the foreign merchants. Third, labor export. In recent years, we have organized large groups of laborers to take part in construction projects in Hong Kong, Macao and other countries. For example, the Guangdong branch of Zhongjiang Company took part in the construction of Kufa Agricultural University in Iraq, which project was contracted to Mitsui Company of Japan. A contingent of 445 engineers and technicians was dispatched to undertake the construction of the school building, the library and the students' dormitories, and the construction took 2 years and 7 months. They were strict in discipline, faithful to their contract, respectful to the local people and local habit and customs, and meticulous in their work. The fine quality of their work won high praise from the local people, government and the contractor. Recently, the members of this labor force have gradually returned to their motherland and have earned more than 3 million dollars in foreign exchange for the state.

9411

CSO: 4006/232

FOREIGN TRADE

ANTI-SMUGGLING CAMPAIGN SUCCESSES REPORTED

Shanghai JIEFANG RIBAO in Chinese 18 Jan 83 p 2

[Article: "New Successes in Shanghai's Anti-smuggling Campaign in 1982. Over 2,500 Smuggling Cases Cracked, Contraband Valued at Over 13 Million Yuan"]

[Text] More successes have been reported in Shanghai's anti-smuggling campaign: with cooperation and support from departments concerned with public security, industry and commerce, etc., the anti-smuggling personnel of the Shanghai Customs investigated over 2,500 cases of various kinds of smuggling in 1982. The total value of the contraband was over 13 million yuan.

According to the concerned departments, a great many of the smuggling cases cracked in 1982 involved lawless elements trying to smuggle goods past customs. A certain overseas Chinese who was departing from China after visiting relatives declared that he only had a few items of calligraphy, paintings, and jewelry, which were allowed to be taken out of China. During the inspection, however, he became very nervous and his answers seemed odd, arousing the suspicion of the customs officers. The customs officers made a careful inspection of him and his luggage, and discovered concealed diamond rings, gold necklaces, pearl earrings, ancient knife-shaped coins, and many other types of cultural relics and jade articles, including an extremely rare knife-shaped coin with a hole in the pommel, dating from the Spring and Autumn or Warring States Periods.

A small number of Chinese enterprises and institutions take advantage of trading procedures to link up with foreign merchants and engage in smuggling. A substantial number of all kinds of smuggling cases cracked in 1982 were of this type. In cooperation with the Luwan District Public Security Sub-bureau and the Luwan District Industrial and Commercial Bureau, the Customs discovered a case in which imported nylon mosquito nets were being resold at a profit in Shanghai. In this big case of trafficking in smuggled mosquito nets, the goods were valued at over 3 million yuan, and the case involved 17 units in Shanghai and in other provinces.

People who want to put on a big show for a marriage have engaged in smuggling. A young worker at a certain hardware plant in Shanghai wanted to have an extravagant wedding, and so he stole some gold which his mother had saved and with an accomplice sold it to criminals to be smuggled out of the country. In

the end this young worker and his accomplice were apprehended and punished in accordance with the law.

Another case cracked last year involved lawless merchants from Hongkong and Macao who smuggled cultural relics, calligraphy, paintings, postage stamps, pornographic materials, and other non-trade items.

Apprehended smugglers have been dealt with sternly by the concerned departments and some have also been handed over to public security and judicial organs to be punished in accordance with the law.

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FOREIGN TRADE

INCREASED INVESTMENTS SEEN IN SHARE INDUSTRIAL DISTRICT

Guangzhou YANGCHENG WANBAO in Chinese 9 Jan 83 p 4

[Article by Ou Ping [0575 1627]: "There Is Ample Scope for Foreign Capital to Display its Abilities"]

[Text] Starting from the city of Shenzhen, stretching 14 km west along the south (side) of Shen (zhen) Road, a new type of industrial district is unfolding before the people's eyes. It is the Shahe Industrial District of the Shenzhen special economic zone.

It is located on the north shore of Shenzhen Bay, is near the mountains and facing the sea, lies between Hong Kong's Wulang and Liufu Mountains and the sea, and there is a beautiful view and attractive scenery. The whole district covers 12 square km, Shengguang Road runs through the center of the industrial district, and water and land communications are very convenient.

Three years ago this was still a piece of obscure "virgin land". Since our province has implemented an open foreign policy, and Shenzhen has been opened up as a special economic zone, people with insight from Hong Kong, Macao and overseas have come one after another to arrange investments and establish factories. The barren hills and untamed mountains which have been fast asleep for many years have been awakened. The roads here are now smooth, the trees give welcome shade, there are row upon row of high-rise buildings, factory buildings are scattered all over, and a scene of prosperity has emerged everywhere.

The Shahe Industrial District is managed by the Guangdong Province Shahe Overseas Chinese Business Corporation. In the last 3 years, this corporation has adopted diversified forms such as joint investment management, cooperative production, scientific processing assembly, and compensation trade, has signed 20 contracts with overseas Chinese from countries such as the U.S., France, and the Philippines and with Hong Kong businessmen, and has laid out a total of 117 million Hong Kong dollars in foreign investments. There are 13 industrial projects completed and put into production or test-production, including an electronics factory, an automobile repair shop, a furniture factory, a nylon bed factory, a woolen factory, a handbag factory, a zipper factory, a machine-made trademark factory,

an eyeglass frame factory, a plastic rubberized cotton factory, a silk flower toy factory, a cloth winch factory, and a pigeon farm. Those that are under construction include a large Shenzhen Bay restaurant, a top quality furniture factory, a high-grade blueprint paper factory, a refined tea factory and a modern warehouse.

Strolling through the industrial district and visiting the factories with advanced equipment which have been put into production has made a deep impression on people; cooperation with businessmen from abroad has produced results. For instance the electronics factory was close to the first enterprise in our province to go into joint investment and management with businessmen from abroad, and not only is the factory building spacious, but the layout is rational, and it has introduced six automated production assembly lines which the whole country says are first-rate. This factory has been in production for over 2 years now and has already produced 120,000 tape recorders, 870,000 sets of recorder cores, over 9,700 television sets, and 480,000 electronic wrist watch cores. These products are sold in countries as far away as France, Italy, and West Germany. To compensate for the automobile repair shop which was set up by trade methods, the equipment which was introduced is also more advanced than that in the general run of automobile repair shops in the country. In the past 3 years this shop has renovated and made large-scale repairs on 1,210 cars for Hong Kong. Due to proper management, this shop has had profits every year, and by last July had repaid the Hong Kong businessmen's total original equipment investment 2 years ahead of time. The Hong Kong businessmen's faith in good cooperative management of the shop was sufficient and their zeal great enough to propose continuing for approximately 5 years, and to decide on increasing investments and expanding the shop.

Why has the introduction of foreign capital into the Shahe Industrial District been so fruitful? According to a briefing by Liu Zhuoli [0491 0387 4409], Director of the Shahe Overseas Chinese Business Corporation, the most important reasons are:

First, geographical conditions in the Shahe Industrial District are excellent, and in making investments and setting up factories here, businessmen from abroad can enjoy the preferential treatment of the special economic zone. For example, land use fees are lower than in non-special zones, and by using waste land they can also apply to avoid paying land use taxes for 1 to 3 years; they can avoid paying import duties on machinery and equipment, partial replacements, raw materials, transportation equipment and other production materials as commercial imports to supply production needs; the business tax rate is low, and they can apply for special preferential treatment for businesses in which technology is relatively advanced and which are of relatively large scale; exit and border-crossing procedures for businessmen from abroad are simple and convenient, etc. This guarantees the businessmen from abroad good prospects for gain, and thus creating strong incentives to introduce foreign capital.

Second, all the businesses in the Shahe Industrial District are run by overseas Chinese systems. The workers are all returned overseas Chinese or in the overseas Chinese category, and overseas Chinese businessmen

investing in and running the factories not only assists in the construction of the "four modernizations" in our country, but also directly provide benefits to overseas Chinese family dependents. The major investors in the Shahe Industrial District have successively talked about overseas Chinese management with responsible people in the State Council who are determined to sincerely cooperate with overseas Chinese systems and to have the businesses well run.

Third, the methods of the Shahe Overseas Chinese Business Corporation in introducing foreign capital are flexible. In factories in which the businessmen from abroad require some kind of investment cooperation, the corporation strives to satisfy its needs according to their commercial channels. All methods of cooperation are possible, and the cooperative period can be long or short. For instance, in the recently constructed large Shenzhen Bay restaurant and in the furniture manufacturing factory, the cooperative period was extended to 20 years.

Fourth, the sources of the work force for the Shahe Overseas Chinese Business Corporation are abundant and the natural resources are rich. The majority of the corporation's workers are the nearly 100,000 workers selected from the young returned overseas workers on 28 overseas Chinese farms in the whole province. They all have a higher than junior high school level of education, are of good quality, and can quickly begin to grasp new technology. Such things as agricultural by-products needed to run the factories, light-spun industrial raw materials, and fresh non-staple foods can be supplied by these farms.

At present, the industrial district has been partially developed according to planned development blueprints. It can be predicted that in the not too distant future it can be built into a modern industrial district with industry as the dominant factor, with commerce, animal husbandry, breeding, and tourism developing simultaneously, and be made into a "showcase" for overseas Chinese investment in our country.

FOREIGN TRADE

FAVORABLE TERMS FOR HAINAN'S FOREIGN INVESTORS

HK230929 Beijing ZHONGGUO XINWEN SHE in Chinese 0731 GMT 22 Mar 83

["Report" by reporter Fang Yuansheng [2455 6678 3932]: "Lei Yu Outlines Favored Treatment for Foreign, Overseas Chinese and Hong Kong Businessmen Investing in Hainan"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 22 Mar (ZHONGGUO XINWEN SHE)--In an interview with this reporter, the director of the Administrative Office of Hainan administrative area, Lei Yu said that after studying with the central relevant departments and Guangdong authorities, we have a relatively clear tentative plan on giving preferential treatment to foreign, overseas Chinese and Hong Kong businessmen investing in the exploitation and building of Hainan Island. He outlined the content of the tentative plan as follows:

It has been initially determined that an enterprise jointly or independently set up by foreign businessmen in Hainan, with the exception of oil and rare metal, will be exempted from income tax in the first 2 years after it has gone into operation and will be levied a tax rate of 15 percent starting from the third year; Hainan administrative area has been authorized to examine and approve reduction in or exemption from industrial and commercial tax in the first 3 years after an enterprise goes into operation; the foreign exchange which foreign businessmen derive from their operations in Hainan and which can be remitted through the Bank of China may, on approval, be given a tax reduction of 50 percent; the income tax levied on foreign, overseas Chinese and Hong Kong businessmen who do not set up institutions in Hainan but who receive income from dividends, interests and rents is reduced to 10 percent (originally 20 percent) and the portion remitted abroad will be exempted from income tax.

The means of industrial and agricultural production needed by enterprises set up in Hainan by foreign, overseas Chinese and Hong Kong businessmen will be wholly exempted from import tax in the next 5 years; import tax on means of subsistence will be levied in accordance with the regulations of Shenzhen Special Economic Zone and, with the exception of 17 kinds of commodities whose import is under state control and whose import tax should be levied according to the regulations, tax on other commodities will be reduced by half. After the

completion of the partition line between Shenzhen Special Economic Zone and nonspecial zones, some commodities will be exempted from import tax. At that time, Hainan will also submit to the state for approval on reduction in or exemption of tax according to the actual conditions.

All Hainan products which do not come under state quotas can be exported by Hainan itself. Where the state imposes quotas, the state and Guangdong Province will give preferential treatment to Hainan for their export. Hainan may also set up a commercial office in Yuehai Company, Hong Kong, to handle the import and export trade of the island.

Farms, forestry centers, factories, mines, breeding centers and pasturelands in Hainan Island can be contracted in groups to overseas Chinese, Hong Kong and foreign businessmen for their operation.

The land utilization fee in Hainan is lower than that in Shenzhen Special Economic Zone.

Lei Yu said that to ensure the introduction of foreign funds in the exploitation and building of Hainan Island, the state plans to grant Hainan administrative area the following rights:

Hainan administrative area has the right to examine and approve foreign investment projects whose total investment in fixed asset is less than \$5 million and to report this for the record to the Guangdong Provincial People's Government and the department of the State Council in charge of this matter.

Hainan administrative area has the right to approve foreign businessmen who go to Hainan Island for economic and commercial activities and travel. The state foreign department issues visas to them after verification.

In respect to systems of planning, labor wage and goods and materials, the state will give special preferential treatment to Hainan administrative area.

Lei Yu also said that at present, the administrative office of Hainan administrative area is a special agency of the Guangdong Provincial People's Government. Considering the special geographical position of Hainan Island and its needs for exploitation and construction, we plan to submit a proposal to the NPC Standing Committee, approving Hainan administrative area as a first-level government to enable it to exercise leadership over the whole island.

FOREIGN TRADE

BRIEFS

ZHEJIANG BRITISH PRODUCTS EXHIBITION--An exhibition of new British products opened on 21 February in Hangzhou, Zhejiang. The exhibition, slated for 7 days, is co-sponsored by the Sino-British Trade Association and a Hong Kong company at the request of the China Council for Promotion of International Trade. Displayed at the exhibition are some 300 product samples supplied by 99 British firms, involving the petroleum, defense, aviation, electronics, chemical, and instrument industries. [Hangzhou Zhejiang Provincial Service in Mandarin 1030 GMT 21 Feb 83 OW]

SHANGHAI CRYSTAL EXPORTS--Research personnel of the Shanghai Silicate Institute under the Chinese Academy of Sciences recently succeeded in making a large crystal called [zheshuanbi] crystal. On 10 March, noted American physicist Ting Chao-chung and a number of noted scientists from Sweden and West Germany praised their achievement when they visited the institute. This type of crystal is widely used in high-energy, space and nuclear physics as well as in medicine and the petroleum industry. [OW231109 Shanghai City Service in Mandarin 1100 GMT 17 Mar 83 OW]

ITALIAN INDUSTRIAL DESIGN EXHIBITION--Shanghai, 17 Mar (XINHUA)--An Italian industrial design exhibition opened here today. Sponsored by the city of Milan, the exhibition is held to further the friendly ties established in 1979 between Milan and Shanghai. Elio Gucvioi, [name as received], vice-mayor of Milan, said at today's opening ceremony that "the exhibition will lead to closer cooperation between China and Italy, especially Milan and Shanghai." Pei Xianbai, vice-mayor of Shanghai, said that the exhibition will provide the people in Shanghai with a good opportunity to learn about advanced industrial designs of Italy. More than 400 people including Italian ambassador to China Giulio Iannini, a delegation from Milan led by Elio Gucvioi, and an Italian industrial and commercial delegation from Milan led by its President Piero Bassetti attended the opening ceremony. Arriving in Shanghai 15 March, the two delegations are the first to visit Shanghai since the establishment of friendly relations between Shanghai and Milan. That evening, Shanghai Mayor Wang Dahuan gave a reception for the delegations. [Text] [Beijing XINHUA in English 1420 GMT 17 Mar 83 OW]

DEVELOPMENT OF ELECTRONICS INDUSTRY

HK240723 Hong Kong WEN WEI PO in Chinese 24 Mar 83 p 3

[Special dispatch from correspondent Liu Minerh: "Jiang Zemin Talks on Development Prospects for China's Electronics Industry"]

[Text] When receiving Wang Jiazhen, general manager and deputy general editor of this newspaper, Jiang Zemin, a member of the 12th CPC Central Committee and a vice minister of the electronics industry, indicated that the output of China's electronics industry will quadruple by the year 2000 and the technological level of this industry will attain the average world level in the late 1970's or early 1980's. Efforts will be made to attain even higher levels. By the end of this century, China will be able to produce 8 million television sets a year.

Jiang Zemin said: In the report on the Sixth 5-Year Plan delivered by Premier Zhao Ziyang, the electronics industry is placed in a very important position. This makes personnel in the electronics industrial department feel that their task is great and they are greatly inspired. He said: Without the development of the electronics industry, the four modernizations will not be possible. The electronics industry provides the foundation for technical transformation of the national economy. Because it has high quality requirements for raw materials, its development will greatly influence other industries, like nonferrous metal and metallurgical industries.

He said: Now, there are still 3 years left for the Sixth 5-Year Plan. Main efforts in these 3 years left for the Sixth 5-Year Plan. Main efforts in these 3 years will be devoted to the laying of a solid foundation. The key is to develop the production of basic components. In particular, integrated circuits and computers are the two most important areas of development, for they are necessary in all areas of the electronics industry.

He said: While the output of the electronics industry quadruples, that of the energy industry will only double. This reflects the pace of improvement of electronic technology. It also requires us to reduce the consumption of energy and rapidly improve the technological level. He said: At present, China's energy elastic coefficient is 0.5, while that of Japan is only 0.4. This also shows that our technological developmental level has yet to be raised.

He said: Because of backward technology, China is now still bearing a huge adverse balance of trade in the field of electronic products. Our yearly exports of these products only amount to \$40 million, but the yearly volume of imports amounts to over \$200 million."

Jiang Zemin indicated: At present, the product composition of China's electronics industry is not suited to the development of the national economy. Many enterprises in this industry are still small in size and comprehensive in their production. This does not meet the demands of mass production and technological specialization. He said: The production level of our electronics industry is now 10 years behind the world level and the technological level is 8-10 years behind.

The utilization of electronic products in our country is still not very popular. In the fields of durable consumer goods, processing equipment and numerical control technology, we are still far behind other advanced nations. Our level of utilization of computers is rather low. The capacity of computers made in China is small and the technology of software is still backward. The technology of forming complete sets has yet to be improved. We must try to popularize the utilization of computers in all trades and even in state governmental organs. Jiang Zemin said: In our electronics industry, the technological level in a number of enterprises is rather high, but the organized technical strength in the entire industry is rather weak as compared with other countries. The main reason is that our management is still poor and not scientific and that the proportion of technicians to workers is still too small. In China, there is only 1 technician in every 10 workers. So, the technical strength is far weaker than that of other nations. For example, technicians in Japan account for 50 percent of the working population.

In order to attain the world level in the late 1970's or early 1980's, our electronics industry must go all out to catch up and strive to attain this level ahead of schedule. Jiang Zemin said: The level of a machine is based on its basic components. If we want to improve the machine's level to a high degree, then we must first improve our components' technological level. If we want to raise the machines' level by 5 years, then we must improve the components' level by 10 years.

He said: The electronics industry is directly related to the people's standard of living. Our target is to double the people's standard of living by the year 2000. This growth rate is almost the same as that which we plan for energy production. But great potential exists in the rural population of 800 million people--when their standard of living is improved, their purchasing power will be inestimable. We must enrich the variety of our electronic products. He said: The development of the electronics industry depends on technical transformation of the national economy. Therefore, we must make investigations in all trades and use system engineering to solve problems. We should work out plans to meet the demands of all trades.

Jiang Zemin added: With respect to the introduction of foreign funds and technology, the electronics industry cannot exclusively rely on this introduction. As a newly developing industry, the electronics industry must be based on strengthening scientific research in a self-reliant way. Only thus, can it catch up with the level of the advanced world. He said: Now, China has a research contingent of 50,000 people in the electronics industry. He said: But this does not exclude the introduction of foreign funds. We still need to import advanced technology and handle joint ventures with foreign companies.

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HONG KONG MEDIA ON CHINA

CHEN MUHUA GREET'S 'ZHONGGUO JIXIE' ANNIVERSARY

HK190538 Hong Kong WEN WEI PO in Chinese 19 Mar 83 p 1

[Report of correspondent Liu Min-ehr [0491 2404 0348]: "Chen Muhua Makes Congratulatory Speech at Cocktail Party Marking First Anniversary of 'ZHONGGUO JIXIE'"]

[Text] Chen Muhua, state councilor and minister of economic relations with foreign countries of the PRC, today made a congratulatory speech at a cocktail party marking the first anniversary of ZHONGGUO JIXIE [CHINA MACHINERY], a magazine jointly published by Hong Kong's WEN WEI PO and JIXIE ZHOUBAO [MACHINERY WEEKLY]. The full text of her speech follows:

ZHONGGUO JIXIE has been published for 1 year. In the past year, it did a lot of work to introduce the production and function of China's mechano-electrical products so that our friends in various countries can have a better understanding of China's products and make better choices in their purchase. In this sense, the magazine also served as a bridge linking China and its customers. I think it should also fully reflect the demands of the broad masses of our customers on our products besides introducing the functions of the commodities.

Trading in machinery products occupies an important position in our development of foreign trade. Since it is becoming more and more important, the tasks for this magazine are also becoming heavier and heavier. Although it has been published for only 1 year, the burden on it is heavy and the road before it is long.

It is our hope that along with the development of China's economic and trade relations with other countries, ZHONGGUO JIXIE will also be developed day by day and will have more and more readers. We also hope that it will play a greater role in the development of China's foreign economic and trade relations.

We wish to extend our sincere thanks to the staff of ZHONGGUO JIXIE for their contributions to the development of China's export of machinery products. We wish them even greater successes in the future. On behalf of the foreign economic and trade front, I would like to express our sincere thanks to this magazine. In the future, we will give more energetic support to its work. We hope that all relevant departments also will give their support to it, so that this magazine can be run even better. Thank you.

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